Austria Sch22	Indonesia ... Rp3100	Portugal Esc100
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark ... DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon .. $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.20	Mexico Pes300	Tunisia ... Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong ... HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,394 Friday 20 November 1987 D 8523 A

Moscow: Gorbachev takes a leaf from his own book, Page 2

World News

Shultz to meet with Soviet counterpart

Mr George Shultz, US Secretary of State, will meet Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Geneva next week to finalize planning for the December superpower summit, US officials said.

The two ministers, who have met three times in the past two months, are expected to discuss strategic nuclear weapons, human rights and regional issues. They are also expected to settle final details on the summit centrepiece - a treaty abolishing intermediate-range nuclear forces (INF).

Star Wars bill

The US House of Representatives passed a compromise defence bill curbing the Star Wars anti-missile programme in an attempt to avoid a conflict between Congress and President Ronald Reagan during the superpower summit. **Page 5**

Subway fire inquiry

The British Government ordered a high-level inquiry into a London subway inferno which caused the deaths of 30 people during the evening rush-hour on Wednesday. **Pages 12 and 14**

Yugoslav talks urged

Yugoslavia's poorest region, Macedonia, asked Prime Minister Branko Mikulic to call an emergency meeting of the central government and reconsider his wage and price freeze, after strikes by thousands of workers. **Tito's legacy, Page 24**

Brazilian poll call

Senator Jose Richa, one of Brazil's leading politicians, called for early presidential elections to avoid the danger of a military coup.

Soviet-Iran accord

Iran and the Soviet Union signed an agreement allowing Iranian ships to use internal Soviet waterways through the Caspian Sea, Tehran Radio said.

Political crisis looms

Senior executives at Norway's state oil company Statoil refused to resign despite allegations that they overspent $780m on a refinery project, forcing a new government crisis. **Page 2**

Bugatti under hammer

The world's most exclusive motor car, the Bugatti Royale, a handcrafted sports coupe of which only seven were made by Italian-born Ettorre Bugatti at his factory in Alsace, France, in 1931, went under the auctioneer's hammer yesterday.

Banker admits fraud

The former chairman of the National Bank of Brunei pleaded guilty to conspiracy to defraud and cheat in a bank fraud trial involving loans of more than 1.3bn Brunei dollars ($600m).

Ransom donations

Millionaire Lebanese businessman Raymond Nakachian said gifts were pouring in from all over Spain to help him raise a $4m ransom for his kidnapped five-year-old daughter.

Two die in faction fight

At least two black men died at a shanty town near Cape Town in what local reports said was faction fighting for political control involving three anti-government groups. **Bitter feud, Page 3**

Gandhi's party leads

Prime Minister Rajiv Gandhi's Congress (I) Party, seeking its first state poll victory in two years, took an early lead in elections in Nagaland state, north-east India. Full results were expected by tonight.

Contras killed

Nicaragua said government troops had killed 28 US-backed Contra rebels.

Emergency extended

The Peruvian Government extended a 60-day state of emergency in 18 provinces in the southern Andes to combat Maoist guerrillas.

Business Summary

Banco de Bilbao in merger discussions

BANCO de Bilbao, Spain's third largest bank, with a large international network, has started talks with Banco Espanol de Credito, the country's second biggest institution, about a possible merger. This would create the largest banking group in the country.

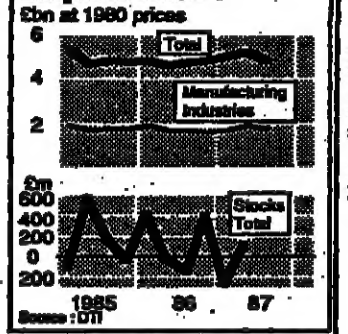
Banco de Bilbao, one of the most successful Spanish banks in recent years, said it wanted to form a single banking and financial group in order to be able to compete when banking competition is fully opened up in 1992. The two consolidated groups' combined assets at the end of 1986 were Pta5,854bn ($51bn).

ALLEGIS, parent company of United Airlines, is to buy back $700m of notes it had sold to Boeing in May as part of its defence against corporate raiders. **Page 25**

UK CAPITAL spending by manufacturing, construction, distribution and financial services companies is likely to fall by 5

Capital Expenditure

£bn at 1980 prices



Source: DTI

per cent in the latest quarter compared with the previous three months. **Page 10**

TOKYO: Worries over the outcome of US budget talks weighed down equities after prices fluctuated narrowly in dull trade. The Nikkei average closed down 65.69 at 22,668.80. **Page 46**

LONDON: Bedevilled by conflicting signals from US budget talks, equities slid away sharply. The FT-SE 100 index closed down 24.6 at 1,698.1, while the FT Ordinary index lost 19.4 to 1,1,289.9. **Details Page 42**

WALL STREET: The Dow Jones industrial average closed at 1895.39, down 43.77. **Page 46**

DOLLAR: In New York the dollar closed at DM1.6810; FFR5.7035;SwFr1.3785; Y135.35. In London it fell to DM1.6800 (DM1.6870); FFr5.6975 (FFr5.7175); SFr1.3770 (SFr1.3825); and Y135.15 (Y135.45). On Bank of England figures dollar's index fell to 96.5 from 96.9. **Page 35**

STERLING: In New York the pound closed at $1.7775. In London it rose to $1.7800 ($1.6810); DM2.99 (DM2.9875); FFr10.1450 (FFr10.1225); SFr2.4525 (SFr2.4475); and Y240.75 (Y239.75). **Page 35**

BELL & Howell, US publishing and information company under siege from several powerful suitors, has formally put itself up for sale after a boardroom reshuffle. **Page 25**

RUPERT Murdoch's News Corporation three months to September profits rose 31 per cent, thanks mainly to his takeover of Herald and Weekly Times (HWT) in Australia. **Page 26**

MONTEDISON, Italian chemicals group, has signed a letter of intent to establish a petrochemicals joint venture in Soviet Union involving total investment of between $5bn and $6bn. **Page 24**

BRITISH GAS announced its first interim results since privatisation which showed a fall in the current cost loss from £69m ($122m) to £29m for six months to September. **Page 31; Lex Page 24**

SAMSUNG founder, Lee Byung Chull, died yesterday at the age of 84, signalling the beginning of the end of an era for South Korea's conglomerates. **Page 26**

VEBA, large West German energy and chemicals conglomerate, plans capital investment of DM20.1bn ($12bn) during next five years. **Page 28**

CBS sells record division to Sony in deal worth $2bn

BY JAMES BUCHAN IN NEW YORK AND CARLA RAPOPORT IN TOKYO

SONY, Japan's innovative yet maverick electronics company, has agreed to purchase CBS Records, the world's largest record operation, for $2bn.

The deal is believed to be the largest US acquisition ever made by a Japanese company and will immediately boost Sony's worldwide sales by around 20 per cent.

The sale concludes more than a year of intermittent negotiations - Sony made its first offer of $1.25bn in December last year.

Japan's business community was stunned by the high purchase price but Mr Norio Ohga, Sony's president and chief operating officer, defended the cost in Tokyo.

"There may not be a chance to buy such a company again," he said. "Through our 50/50 joint venture with CBS in Japan, we know their operation and their assets. So we don't think we are paying too much."

The sale of the record division completes the company's return to its broadcasting roots.

Under Mr Larry Tisch, who took management control in a boardroom coup in September 1986, the group has raised over $1.2bn by selling-off assets outside broadcasting.

The company employs some 10,000 people worldwide and last year showed revenues of $1.49bn.

In a statement issued after the CBS board meeting on Wednesday evening, which finally approved the deal, Mr Tisch said that the Sony offer "provides an important source of capital and allows us to focus all our energy and resources on our core business of broadcasting".

Mr Walter Yetnikoff will remain president of the division and will share in a "golden handcuffs" incentive package for senior executives that, according to industry estimates, could be worth up to $50m.

Mr Ohga confirmed that the company's top management would stay, although some of the company's executives might leave after the acquisition is completed.

He said that Sony would like to use the new acquisition to develop a "new generation in the home entertainment business, with not only sound but pictures".

It is understood that he was referring to the continued development of video software as well as records and compact discs.

The purchase price, equal to more than three year's capital spending by Sony, will be met through the company's own cash reserves and bank borrowings in Japan and abroad.

Sony denied that the purchase had anything to do with its ambitions for digital audio tape, DAT - a revolutionary audio product which is being fiercely resisted by the international music industry.

It also denied that it would use CBS artists to promote its own products. These include pop star Michael Jackson and opera singer Placido Domingo.

"Michael Jackson will not be advertising Sony products. We cannot control the artists," a Sony executive said.

Wall Street has approved the $2bn price tag, which analysts say is generous.

The division is expected to make operating profits this year of nearly $200m, but is vulnerable to falling consumer spending in a recession.

But CBS stock, which rose $8⅝ to $176 in anticipation of the deal on Wednesday, closed down $7¾ at $167½.

Analysts say that Wall Street is anxious about what CBS will do with the more than $3bn in pre-tax proceeds it has gathered from this year's disposals.

They say big acquisitions of broadcasting properties such as television stations could at first cut CBS' profits.

Analysis, Page 25

US seeks allies' pledge on Soviet trade controls

BY DAVID BUCHAN AND PETER MONTAGNON IN LONDON

THE US is seeking a formal commitment from its western allies to improve their joint controls on militarily sensitive technology reaching the Soviet bloc.

Mr Allan Wendt, the US State Department official responsible for strategic technology, said in London yesterday that the US was calling for a meeting "at senior political level" of the 16 governments - the Nato countries plus Japan - which form CoCom, the Paris-based organisation that vets strategic trade with Communist countries.

Mr Wendt said the US would seek "concrete commitments" from its CoCom allies to toughen the enforcement of controls, in part to stave off pressure in Congress for sanctions against Toshiba, the Japanese electronics company, and Kongsberg Vaapensabrik of Norway.

The two companies face a possible ban on their exports to the US because of their roles in selling equipment which may have helped the Soviet Union to reduce drastically the noise - and thus detectability - of its submarines.

Addressing a conference at the Royal Institute of International Affairs, Mr Wendt said there was a need for more public understanding of and confidence in the CoCom mechanism. "Some countries in CoCom are laggard," he said. "They have simply not been prepared to face up to the issue of enforcement." Without progress on enforcement CoCom would never achieve its aim of a restriction-free zone within its own boundaries.

"The policy of treating CoCom as a semi-secret organisation has effectively worked against building public support for CoCom," Mr Wendt said.

Mr Roderick Braithwaite, a UK Foreign Office Deputy Under-Secretary, speaking at the same conference, agreed that CoCom "has to be seen to be fair, necessary and effective."

France, Italy and West Germany still had strong political reservations about CoCom publicity. But the Russians knew all about it and accepted it, like Nato, as a fact of life.

Mr Wendt said getting a commitment from CoCom members to tighten the legal framework for controls and to provide the resources for better police and customs enforcement would not be easy. "But we think the pay-off will be substantial both in commercial and security terms," he said.

Brussels to propose standards for engineering machinery

BY WILLIAM DAWKINS IN BRUSSELS

WIDE-RANGING proposals for common European Community standards for most kinds of engineering machinery are expected to be put forward by the Commission within the next week.

If accepted by member states, the scheme will ensure that all machinery conforming to basic safety and performance criteria can be sold freely throughout the EC.

It would outlaw any attempt to put up national trade barriers to sales of a huge range of industrial machinery from chain saws to machine tools, representing a market worth between Ecu 110bn ($132bn) and Ecu 120bn annually, or just over half of all EC sales of engineering machinery.

Excluded from the proposal are machines for which the Commission thinks special safety rules are needed, such as combine harvesters, lifts and construction plants.

The draft directive is by far the most ambitious example of the Commission's so-called "new approach" to setting industrial standards.

Until recently, EC industrial standards covered the smallest technical details of the individual products involved. The new standards cover whole groups of products at a time and leave the small technical details open. They stipulate that they should be allowed in all member states' markets as long as they are safe.

The strategy has so far been applied to pressure vessels, construction products and the magnetic qualities of electric goods.

The machines proposal, backed by Lord Cockfield, the internal market Commissioner, was to be adopted by the Commission this week. But it ran into a last-minute hitch when Mr Manuel Marin, Commissioner for social affairs and employment, insisted the scheme should be presented as a package with his own draft directive covering machine safety at work.

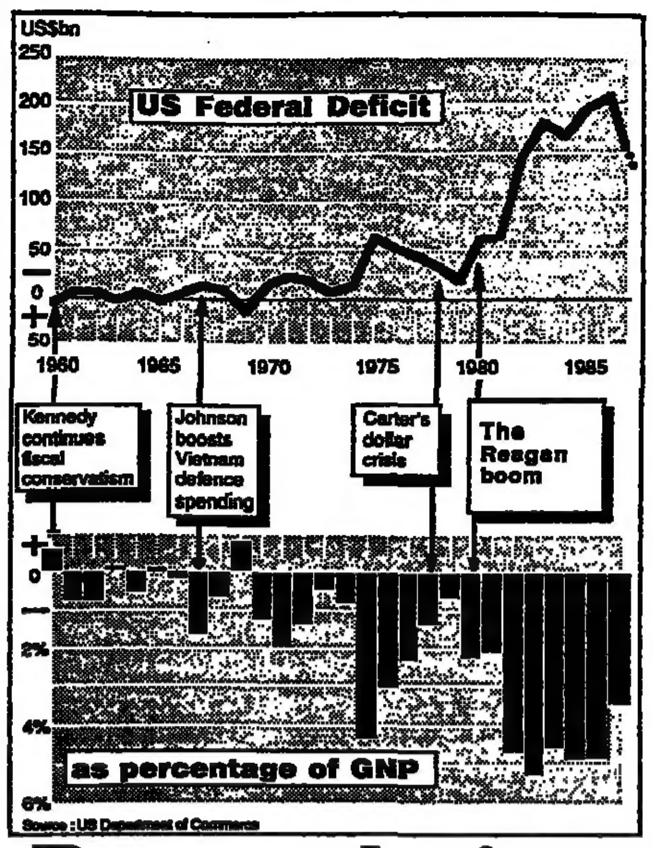
Mr Marin's directive is not ready for adoption by Brussels, so officials are working to prepare for the separate adoption of Lord Cockfield's proposal at the Commission's next full meeting next week.

It will then go to working groups of national officials to prepare for final adoption by member states by the end of next year at the earliest. Politically, the proposal is expected to be welcomed by most EC governments. However, it covers such a wide range of products that national officials will have to cover an enormous amount of technical groundwork before agreeing to it.

This proposal is an important part of the EC's drive to create a fully-free internal market by 1992. It aims to dismantle the barriers created by different national technical specifications, testing and inspection rules.

Once adopted by member states, CEN, the European standards organisation, will be asked to draw up the technical requirements for machines to comply with the directive. In the meantime, any products that already comply with national safety rules will be allowed free circulation throughout the Community.

Steel quotas, Page 2



Source: US Department of Commerce

Reagan denies his policies triggered crash

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT RONALD Reagan yesterday rejected charges that his economic policies helped to trigger last month's stock market crash.

Mr Reagan's remarks came against a background of growing uncertainty about whether Congressional and White House negotiators would be able to reach agreement in their negotiations on reducing the US budget deficit.

Mr Reagan, addressing the US Chamber of Commerce, said: "Not even the experts can tell us with certainty what caused the market slide."

He stressed the strength of the economy when share prices plunged on Wall Street on October 19. Although the plunge "unnerved" investors, "there is no reason to be apocalyptic and if explanations are needed, let us not accept myths or unfounded statements about our economy," he said.

The President implicitly rejected suggestions that huge Federal budget deficits were the main factor behind the crash. "The most recent news on this subject is that deficit spending actually dropped by $73bn."

Mr Reagan's comments seemed designed in part to strengthen his position in the negotiations on the budget deficit which entered their 18th day on Capitol Hill yesterday.

Opinion polls suggest that the public is confused about why the stock market slumped.

There was confusion too yesterday about the likely outcome of the budget talks. As today's nominal deadline against which congressional and White House negotiators are working approached, it remained unclear whether an agreement to cut the deficit by $23bn in the current fiscal year would be reached on schedule.

Under the Gramm-Rudman-Hollings budget reform law, automatic spending cuts of $23bn should be triggered today. This has never happened before and nobody can predict how Congress would react.

While some members of the negotiating task force entered yesterday morning's session still expressing optimism that an accord could be reached on the more modest deficit reduction package now under discussion, others were less hopeful.

Republican members of the House of Representatives expressed strong opposition to a tentative compromise in the budget negotiations when they had a meeting yesterday with Mr James Baker, the Treasury Secretary and Mr Howard Baker, the White House chief of staff.

Simon Holberton writes: The mixed signals from Wash-

Continued on Page 24

World stock markets, Page 46; Currencies, Page 35

Moscow students join Yeltsin protests

By Patrick Cockburn in Moscow

PROTESTS AGAINST the dismissal of Mr Boris Yeltsin, the radical Moscow party leader, spread to students at Moscow University yesterday as the authorities tried to declare the affair closed.

Communist party officials are expected today to meet student representatives.

The students are demanding publication of Mr Yeltsin's speech to the party central committee on October 21 denouncing bureaucratic sabotage of reform. It was this speech which sparked off the crisis.

The demand - an intervention by the student body in Soviet politics unprecedented since 1917 - comes after a spontaneous rally of 300 students at the university last Tuesday to discuss the Yeltsin affair.

It is one of a number of signs of a hostile reaction by the Soviet public to Mr Yeltsin's dismissal.

This has largely taken the form of letter-writing campaigns, but there are also unconfirmed reports of a two day general strike in Sverdlovsk, the industrial city in the Urals where Mr Yeltsin was until recently party leader.

The extent of the protests has shocked the authorities.

The sudden appointment on Wednesday of Mr Yeltsin as First Deputy Chairman of the State Construction Committee, with ministerial rank - in an abrupt reversal of his previously complete political disgrace - is seen in Moscow as a sop to public opinion.

Mr Gennadi Gerasimov, the Soviet Foreign Ministry spokesman, told a press conference yesterday: "What happened to Yeltsin is not an episode which should generate far-fetched conclusions, and particularly conclusions about the future of the perestroika restructuring drive."

He also said that although Mr Yeltsin is in hospital, his condition is not serious and he will soon be discharged.

Mr Yevgeny Primakov, who heads the Soviet World Economy Institute and is a senior adviser to Mr Mikhail Gorbachev, the Soviet leader, said earlier on a live television link-up with the US that Mr Yeltsin's new appointment showed that perestroika would go ahead.

In what is evidently a con-

Continued on Page 24

Gorbachev compelled to take a leaf out of his own book, Page 2

CONTENTS

TITO'S POLITICAL LEGACY NOW HAS TO BE PAID

Yugoslavia's future may depend on an economic reforms package being pushed through parliament, Page 24

Goria put back in the driving seat - for now

BY JOHN WYLES IN ROME

AN ITALIAN political crisis lasting only five days barely merits the name. The one which ended on Wednesday evening was not easy to take seriously, triggered as it was by a Liberal Party representing just 2.1 per cent of the electorate.

Mr Bettino Craxi, the Socialist party leader, offered proof positive it was no more than a squall by leaving all public presentations of his party's position to his deputy, Mr Claudio Martelli, while he stood glowering in the background.

A compromise with the Liberals enables Mr Giovanni Goria, the self-effacing Christian Democrat, to retain both the premiership and his ministerial team, as if nothing had happened. He does so only because the crisis was neither wanted nor forseen by Italy's two principal political ringmasters: Mr Craxi and Mr Ciriaco De Mita, secretary of the Christian Democrat party.

It suits them to keep Mr Goria at the head of a weak Government - not one leader of the five coalition parties occupies a ministry - at least until next spring or early summer. What happens then is unclear. But Mr De Mita should have secured re-election as party leader by the summer and may then be ready to take the premiership from Mr Goria.

Under this scenario, Mr Craxi will then make Mr De Mita's life hell for a year, engineer a crisis, take over the premiership and sit tight until the next general election.

But things are rarely so straightforward in Italian politics. The solution which keeps the Liberals in the Government they quit last Friday contains the good, the bad and the indifferent.

The promise to adjust tax rates which was in the Goria Government's original programme but not the budget adopted last week, is now conditionally resurrected. Tax cuts worth L1,500bn (£682m) will be paid from July 1 providing domestic inflation is

Craxi: in the wings

on target for an increase of no more than 4.5 per cent and providing the concession is covered by equivalent cuts in public spending. The whole question of how to put public finances back on a better footing is to be examined by a committee of the wise and the qualified who will present their prescriptions by the end of February.

Given a little will, skill and imagination, such a package could have been agreed last week, the Liberal walk-out averted and President Francesco Cossiga duly despatched to the rigours and charms of a state visit to London.

Much of the responsibility for the crisis actually lies with Mr Goria. He is a nice chap who is clearly trying his best, but it is beginning to seem that he is short on the skills to run a Government in Italy.

Quite apart from his managerial shortcomings, Mr Goria is partly responsible by association for the problem at the heart of the crisis, the state of public finances. He was Treasury Minister from early 1983 until last July and he was author of a medium term plan which sketched out a budget deficit of L90,000bn next year. The actual outcome would have been around L128,000bn but for the controversial budget proposals produced by the Socialist, Giuliano Amato, which should bring it down to L103,500bn.

As Premier, Mr Goria is weakened like his predecesors by a lack of power to impose his will. This puts personality and management skills at a premium, particularly the ability to balance party interests within a coalition.

Italian budgets are made by a process which would make an all-powerful British Chancellor shudder. Three ministries are involved - the Treasury, Finance and the Budget - and final assembly falls to a committee chaired by the Prime Minister's undersecretary. At the very least, Mr Goria is guilty of not having listened to the Liberals about broken tax promises and the need for more spending cuts during the past three weeks when the government's original budget proposal was being revised "due to events in international markets."

Having not listened, he then made the crisis inevitable by swiftly announcing the revised budget to the Senate on Tuesday of last week, even though the Liberals told him they would not support it.

On too many occasions, Mr Goria has seemed to be struggling to give direction to a Government which needs it more than most. He has described his leadership task as "trying to build a pyramid out of billiard balls." The recent events ought to make his task easier because the parties do seem to have strengthened their commitment to his administration. But given the problems to be faced - piloting an unpopular budget through Parliament, forging an agreement on a law to reform the magistracy and devising a largely non-nuclear energy policy - the amiable accountant from Asti will need a surer touch than he has so far displayed.

Bonn favours 'concerted' growth action

BY DAVID MARSH IN BONN

WEST GERMANY is prepared to take part in "concerted action" by major countries to improve next year's international growth outlook, a senior official at the Finance Ministry said yesterday.

Bonn was considering a "policy mix" which would consist of budgetary, monetary and economic deregulatory measures to boost the West German economy, he said. He avoided spelling out what form the package could take, and made clear it would depend on "everyone putting something into the pot" - a clear reference to the need for complementary US action to bring down the budget deficit.

Although the Finance Ministry still does not believe it is politically possible to bring forward to 1989 a tax cut package planned for the following year, the official's remarks add up to the clearest sign yet that Bonn is moving slowly toward more expansionary steps.

Pressure may rise next week with the annual report of Bonn's council of independent economic advisers. This is expected to forecast growth next year of only 1.5-2 per cent after around 1.5 per cent in 1987.

This week's meeting of the economic policy committee at the OECD in Paris has added to international calls for a Bonn stimulus. The OECD is projecting West German growth of only 1.5 per cent next year, with domestic demand rising only 2-2.5 per cent. The current account surplus is projected at $37bn in 1988 - about the same as in 1986 - against $43bn this year.

Count Otto Lambsdorff, the former Economics Minister, now economics spokesman of the Free Democratic Party parliamentary grouping, repeated calls yesterday to bring forward the tax cuts by a year.

He confirmed he had sent a telegram of support to Professor Karl Schiller, the former Social Democratic Party (SPD) Economics Minister, who has spoken out in favour of bigger tax cuts. Mr Hans Apel, the former Finance Minister and SPD finance spokesman, also urged yesterday an "investment offensive" to boost sluggish growth.

The Government, meanwhile, published figures showing how low economic growth is pushing up the budget deficit. The total borrowing requirement of central, regional and local government is expected to rise this year to DM54bn($18bn) from DM42bn last year.

Norway oil chiefs aim to stay put

By Karen Fossli in Oslo

MR ARVE JOHNSEN, president of Statoil, Norway's state oil company, has refused, with the company's board chairman, Mr Inge Johansen, to step down from his position in the company, forcing a new government crisis for Norway's minority Labour government.

Politicians have called for their resignation after allegations that they covered up a budget over-shoot of NKr5.4bn (£504m) on a refinery and terminal expansion project.

The affair worsened when Norway's parliamentary watchdog sharply criticised Mr. Arne Oeien, the oil minister, for "lacking the initiative needed" to command control of Statoil's management.

The criticism was considered by politicians to be serious and speculation mounted that Mr. Oeien would be forced to resign, possibly bringing down Mrs Gro Harlem Brundtland's minority Labour Government.

Politicians hoped Statoil's president and board of directors would bow to their calls for resignation in a bid to spare the Labour leadership.

At a regular meeting of the board, held yesterday, however, they refused and said, instead, that they would wait until Norway's "political process" of parliamentary debates on the matter ended before they would make any decisions as to their positions.

Opposition party leaders are meeting today to decide their strategy in the affair.

Leslie Colitt reports on E Germany's first rabbi in 22 years

Tale of two survivors

TWO SURVIVORS of the holocaust – the newly-appointed rabbi of East Berlin's 180 remaining Jews, Mr Isaac Neuman, and the head of the 6,500-member Jewish community in West Berlin, Mr Heinz Galinski – embraced after a recent ceremony in East Berlin's newly reconsecrated Rykestrasse synagogue.

"For us there is only one city," said Mr Galinski, who was visibly moved.

"East or West, our people are all Jews," Mr Neuman said.

Their enthusiasm was over Mr Neuman's appointment as East Germany's first rabbi in 22 years. The 64-year-old Polish-born American rabbi, who survived Nazi death camps, returned to tend to the spiritual needs of East Germany's seven Jewish communities totalling only 330 adults. This number will continue to fall unless Rabbi Neuman can gain fresh blood from the estimated 2,000 non-religious Jews in East Germany.

Rabbi Neuman's appointment amid recent conciliatory gestures by East Germany towards international Jewish organisations, marked the culmination of a softening in East Berlin's previously rigid position.

The East German authorities had been especially strident in condemning Israel while congratulating themselves for having "forever rooted out Fascism" on German soil. This was in odd contrast to the personal record of East Germany's leader Mr Erich Honecker, who spent 10 years in a Nazi prison for high treason.

East Berlin's strong backing for the Arab cause after the 1967 Arab-Israel war, however, outweighed all other considerations. The official East German media's portrayal of Israel as a virtual successor state to Nazi Germany left a particularly bitter taste among the survivors of Nazism.

Last year, though, Mr Honecker ordered that a neglected cemetery of the pre-war orthodox Jewish community in Berlin was to be restored. At the same time, plans to build a road through one of Europe's largest Jewish cemeteries containing 115,000 graves in East Berlin's borough of Weissensee were quietly dropped. The East German media began to devote a great deal more attention to the sufferings of European Jews up to 1945.

However, a turning point was Mr Honecker's meeting last June in East Berlin with Rabbi Israel Miller, president of the Jewish Claims Conference which represents interests of Jews driven out of Nazi Germany.

Both sides indicated their satisfaction with the talks although the word "restitution" was not used in the East German news agency's report on the meeting. East Germany in the past repeatedly refused restitution payments to Jews, claiming that, unlike West Germany, it had expunged all vestiges of the Nazi past and had provided for the remaining Jews in East Germany.

There was some truth to this. "Victims of Fascism" – Jews persecuted by the Nazis – receive up to 2,000 marks ($1,300) a month in a pension which is several times the normal amount.

Dr Peter Kirchner, a physician who heads the East Berlin Jewish community, noted, however, that the reason anti-semitism rarely surfaced in East Germany was not the moral convictions of its citizens but the country's tough laws.

Dr Kirchner's office is in the intact annexe of the former synagogue in Oranienburger Strasse which was set ablaze by the Nazis in November 1938. The huge synagogue is now to be restored by East Germany and is to serve as a museum of Jewish history in Berlin, where one third of Germany's Jewish population of 516,000 lived in the 1920s.

He suggested that so few East German Jews belonged to the Jewish community because of the same "irreligion" which had affected Jewish life in the West. But he also noted that the post-war East German Communist Party refused to permit its members to belong to a religious denomination.

Even today some East German Jews, Dr Kirchner said, still asked the Jewish community to mail its information bulletin to them in an unmarked envelope. This he noted was a "behavioural left-over" from the Nazi past when the Gestapo used the membership lists of the Jewish communities to hunt down its victims

Dr Kirchner said the tiny Jewish community had now become an "object of prestige" for the East German leadership which wanted it to grow and not wither away as seems inevitable.

Such official concern is undoubtedly related to the growth of West Berlin's Jewish community to almost 7,000 members at present. Ironically most of the increase consists of Soviet Jews who left for Israel in the 1970s but then came to West Berlin instead.

The West Berlin city government, ever conscious of the holocaust, takes pride in having Germany's largest Jewish community. Considerable funds are devoted to maintaining a Jewish school of adult studies – attended mainly by non-Jews – and many other Jewish service and welfare institutions.

As the leader of West Berlin's Jews, Mr Galinski is widely regarded as the relentless "conscience" of West Germany where he is the most prominent Jewish spokesman. As a survivor of Auschwitz and Bergen-Belsen concentration camps he admits that anti-Jewish incidents "cause us to shiver."

Greece to cut taxes and curb evasion

BY ANDRIANA IERODIACONOU IN ATHENS

AN AMBITIOUS Greek reform package designend to cut taxes and curb tax evasion was unveiled yesterday by Mr Dimitris Tsovolas, the Greek Finance Minister.

In what he described as "a complete change of philosophy," Mr Tsovolas hopes that reducing income taxes, hitherto among the highest in Europe, will help draw errant citizens into the fiscal fold. In a sample case, under the new bill, a married salaried worker with one child and an income of Dr1.5m ($11,300) a year can expect a reduction in tax of up to 74 per cent.

The Socialist Government has followed a stringent economic stabilisation programme since 1985 under which, by the end of this year, workers will have lost more than 10 per cent in real average earnings. However, the Government has promised an increase in real pay next year through a combination of wage increases and tax cuts.

Accordingly, the new tax measures provide for cuts of Dr135bn over two years. The reforms represent a theoretical Dr40bn loss in tax revenue in the 1988 budget, but Mr Tsovolas expressed confidence that this sum would be recovered at least partially through the reduction of tax evasion.

One of the bill's main innovations is the introduction of a tax-free allowance for a range of expenses for which the taxpayer furnishes receipts, including medical bills, insurance costs and property loan interest payments.

The Finance Ministry hopes the measure will encourage taxpayers to demand receipts for goods and services, contributing particularly to the curbing of evasion on value-added tax, introduced for the first time in Greece last January.

The existing 19 taxbrackets have been consolidated to nine. The maximum tax rate, applied to annual income over Dr1.3m, has been slashed from 63 per cent to 50 per cent. The current complex system of computing tax-exempt income has been simplified in favour of fixed tax-free ceilings based on marital status and number of dependants, with preferential treatment for salaried workers, pensioners and farmers.

Airlines join forces

TWO MORE European carriers have joined the Galileo airline computer booking system Reuter reports from Zurich.

The move strengthens the group against a rival consortium led by Air France and Lufthansa of West Germany, Swissair said yesterday.

Aer Lingus of Ireland and TAP of Portugal are the latest carriers to join the Galileo group. It already includes British Airways, British Caledonian, Austrian Airlines, Alitalia of Italy, KLM of the Netherlands, United Airlines of the United States and Swissair.

Swissair said it was still negotiating with Olympic Airways of Greece, Turkish Airlines, Icelandair and Sabena of Belgium.

The new system will be based in Swindon, 120 km west of London, from early next year.

Such systems, which allow customers to do everything from hiring cars to reserving theatre seats when they book their air tickets, could be the most important factor affecting airline performance in the 1990s, aviation analysts say.

Israelis protest over UK farm veto

By Andrew Whitley in Jerusalem

ISRAEL yesterday protested to Britain for action last week blocking a major trade agreement with the European Community.

The action was "unjustified and unacceptable" a senior Israeli official said. The draft protocol, awaiting approval for more than a year, was due to have been sent to the European Parliament for ratification.

However, its formal approval by the Commission in Brussels was rejected by a number of EC countries, dissatisfied over Israeli trade practices.

The new agreement is of considerable importance to Israeli agricultural exports, and failure to pass it within the next few weeks could lose Israeli producers revenue amounting to hundreds of millions of dollars during the current farm year.

Two long-festering issues lie behind the unusual action taken in Brussels a week ago by Britain – backed vocally by Denmark, Greece and the Netherlands. The first concerns an import tax levied on an ad hoc basis by Israel on goods from the EC, ostensibly to provide protection for its own products, in contradiction to Community regulations.

A series of protests to Jerusalem by the Commission, the latest as recently as September, have apparently been to no avail. But the more important issue arises out of suspicions that the Israeli Government does not intend to honour private assurances given to Mr Claude Cheysson, the European Commissioner, last month over the direct export to the EC of Palestinian agricultural produce from the occupied territories.

What has particulary upset the Israeli Foreign Ministry is the clear link made for the first time by an EC country between the Palestinian issue and the trade agreement on Israel's terms of access to the Community which followed the accession of Spain and Portugal.

Summoning Mr Simon Fuller, the British charge d'affaires, to Jerusalem to receive the protest, Israeli officials deplored Britain's stand in the light of "understandings" they said had been reached during the Cheysson visit to Israel.

Eurofer opposes 'hasty' end to quotas

By William Dawkins

THE European Community's biggest steel producers yesterday warned that an "over-hasty" end to production quotas would only impede attempts to cut overcapacity.

A meeting of Eurofer, the group of 22 major integrated steelmakers, was guardedly critical of the recommendations of an independent report that the European Commission should run down output by 1989.

Eurofer wants steel quotas kept in place until the end of 1990 and fears that a faster return to a free EC steel market could provoke a chaotic price and subsidy war. Eurofer said the so-called "three wise men's" report "confirms its view that a comprehensive, effective quota system of sufficient duration is a precondition and indispensable accompanying instrument for restructuring."

It said the group "cannot go along with quite a number of the assessments and conclusions made in the report," but was ready to talk to the Commission "immediately."

Brussels commissioned the report following Eurofer's failure to find ways of cutting voluntarily the 30m tonnes of steelmaking overcapacity which the Commission estimates overhangs the market. If the industry fails to promise adequate cuts by the end of the year, the Commission has threatened to scrap the output quotas which have helped support prices since 1980.

Eurofer's members generally agreed with the study's contention that the Commission had overestimated steelmaking overcapacity. Brussels believes there is a 20m tonne surplus in hot rolled coil, heavy plate and heavy sections - the most politically sensitive products - as against the panel's figure of 16m tonnes.

Eurofer also accepted the panel's conclusion that an an over-hasty end to quotas would "considerably disrupt that market" - even if it disagreed with the time scale for ending quotas - and welcomed the study's recommendation to continue the near total ban on state subsidies for the industry. "This underlines the necessity of maintaining an efficient system of market regulation," said the group.

The carefully worded statement conceals well-known differences between Eurofer members. Finsider, the Italian state owned steel group, is keen to have a liberal national aid system. Meanwhile, the more efficient producers, such as British Steel and Hoogovens of the Netherlands want an immediate end to quotas. That is a marked contrast to Eurofer's official line on quotas, which is most fiercely upheld by the dominant West German producers.

Gorbachev compelled to take a leaf out of his own book

BY MARGARET VAN HATTEM, EASTERN EUROPE CORRESPONDENT

"EMOTIONAL outbursts are an inevitable part of any complicated endeavour," Mikhail Gorbachev wrote prophetically during his extended absence from public life last summer.

The book he was writing - Perestroika, New Thinking for our Country and the World, published in London yesterday - provides an illuminating commentary on the Yeltsin affair.

The sacking earlier this month of Boris Yeltsin as head of the Moscow City Communist party, after a particularly bitter "emotional outburst" at the October 21 central committee meeting, was widely seen as a setback for his patron, the Soviet leader.

It was not so much that Mr Gorbachev was regarded as wavering in his commitment to economic reform and greater democratisation - though inevitably some interpreted his participation in the public disgracing of his protege in this way - but more that he was suspected of losing his nerve under pressure.

But, as Mr Gorbachev was writing only a few months earlier, such outbursts are just part of the democratic process. The Soviet Union is painfully learning the rules of the game under the glaring spotlight of international attention.

Practised as they may be in the arts of internal party politics and factional in-fighting, Soviet political leaders have had little schooling in the arts of democratic politics: the arts of debate, and persuasion and salesmanship. Mr Gorbachev admits as much with disarming candour. "Today it is as if we are going through a school of democracy again," he writes. "We are learning, we still lack political culture. We do not even have the patience to hear out our friends."

But, he continues "the difficulties we are experiencing in the democratisation process are largely of our own making. We are all products of our times...we all have to change ourselves, including those in the politburo, in government and top echelons of leadership.

Mr Gorbachev recounts his efforts in the summer of 1986 to persuade the central committee apparatchiks to be a little more sophisticated in their dealings with the intelligentsia. "I had to ask them to adopt a new style of working with the intelligentsia. It is time to stop ordering them about since this is harmful and inadmissible," he writes.

Some of the central committee officials had been outraged by the heated debates which took place at a series of congresses of writers, artists, composers, architects, theatrical figures and journalists.

"I told them they should not be surprised or become indignant, that these congresses should be accepted as a normal, albeit new phenomenon. Someone objected, claiming it would be difficult to work in an environment where each individual is his own philosopher. I replied that it is far worse to be dealing with a passive intelligentsia, and with indifference and cynicism."

In one passage which may now cause the author a momentary blush, he insists that the ability to make a critical review of Soviet experience is a sign of strength, adding: "We will do all in our power to prevent anyone from either suppressing criticism or sidestepping it. Criticism is a bitter medicine but the ills that plague society make it a necessity. You make a wry face but you swallow it. A slackening of criticism will inevitably harm perestroika."

He welcomes outspokenness as a sign that the people are shaking off their apathy and becoming fully involved in public life.

Throughout the book, Mr Gorbachev stresses the need to develop a sense of responsibility and urges a break with passivity and "the psychology of dependence which has struck deep roots." The remedy, he maintains, is cost accounting and self-financing, and the fostering of more responsible attitude: "Amazing things happen when people take responsibility for everything themselves. The results are quite different, and at times people are unrecognisable.

Tim Dickson reports that Ireland wants agricultural surpluses tackled, but not in isolation

Irish farmers argue for a pause after the honeymoon

A CORK hotelier recently scoured the county to indulge the whim of an ageing actress who insisted on taking a bath in vintage champagne.

Scandalised by the waste, he decided to refill the bottles after her "performance," only to discover that nearly a pint of the sparkling liquid was left over after filling the bottles again.

"The point is that even a small surplus can destroy the whole quantity", explains Mr Joe Rea, president of the Irish Farmers' Association, with a twinkle which befits one of Ireland's most loquacious farm leaders.

The story, he feels, aptly sums up his countrymen's view of the latest European Commission proposal to limit the cost of cereals support: by all means control volume of production with a "set aside" scheme, or even quotas for each member state, but keep price cuts to a minimum.

Cereals are very much centre stage in the negotiations in Brussels on the whole range of EC proposals. But while the sector's political importance in Ireland should not be underestimated, in production terms it is relatively modest.

Irish cereal farmers accounted for about 5 per cent of the country's gross agricultural output in 1986 while the beef and dairy industries represented 38.1 and 35.4 per cent respectively in the same period.

AGRICULTURE IN THE EC
IRELAND

Last December's sharp cuts in milk quotas and the accompanying reductions in beef support, were thus potentially far more traumatic than anything likely to happen in the next couple of weeks in the run-up to the Copenhagen summit.

If there is a surprising lack of apprehension at the moment in Ireland, it stems also from a widespread awareness that the 10-year farm honeymoon which followed Irish membership of the Common Market in 1973 is well and truly over, and that the challenge now lies in trying to adopt a more free-market and consumer-orientated approach. This has already involved - and will continue to involve - some painful adjustments to lower levels of production in both dairy and beef, but there are encouraging signs that a more positive message is also getting through.

As a poor country with a small population, Ireland depends heavily on export markets: roughly 80 per cent of beef and dairy output is sold abroad. But it also suffers from the major competitive disadvantage of being distant from its customers.

These problems were largely disguised in the 1970s and early 1980s, when the EC's support mechanisms guaranteed a healthy milk price. Returns were attractive, and there was little incentive to diversify much beyond the two "intervention" commodity products of butter and skimmed milk powder.

Moreover, as the Irish Co-Operative Organisation Society (ICOS) pointed out in its document, Strategy for the Irish Dairy Industry, published in July this year, the doubling of milk volume in Ireland between 1973 and 1983 meant the "emphasis was placed on increasing processing facilities at the expense of product development".

The spiralling costs of the common agricultural policy threaten to undermine the European Community's attempts to provide a sounder basis for its future financing, the central issue at the heads of government summit in Copenhagen on December 4-5. In the sixth of a series of articles from national capitals, we look at the political, economic and social factors influencing individual governments on the farm issue

In the current more restrictive climate the more enlightened dairy co-operatives like Kerry, Mitchelstown and Waterford are stepping up their diversification and moving into higher value-added products such as cheeses and yoghurts.

The Irish beef industry is also feeling the impact of reduced EC price support and the end of an era of expansion in milk production. According to Mr Paddy Moore, chief executive of the Irish Livestock and Meat Board, the CAP has had "an extraordinary influence" on meat processing, creating a highly modern and efficient industry which has shown considerable adeptness in overseas markets. Ireland meets 10 per cent of UK beef demand, but the emphasis on quality, grass-based products has also attracted major customers in North Africa and continental Europe, including most recently Denmark.

The Irish meat processing industry's entrepreneurial flair and its efforts to switch emphasis from trade in live cattle to primal beef cuts sold direct to retail customers has not halted the long-term decline in cattle numbers. As Mr Moore points out: "There are now over 350,000 fewer cattle in Ireland than we had 10 years ago." This is principally the cause of a smaller cow herd since EC milk quotas were introduced in 1984 - a trend which widespread slaughter of heifers this year is likely to speed up.

Changes like this prompt Mr Michael O'Kennedy, Ireland's new Agriculture Minister, to argue that Community farmers now need a breathing space. He recognises the need to tackle EC food surpluses, but emphasises that changes in the CAP should not be taken in isolation and should take into account the forthcoming negotiations in the General Agreement on Tariffs and Trade and, above all, the Community's efforts for greater cohesion between the stronger economies in the centre of Europe and the relatively poor member states on the periphery.

Besides needing to keep an eye on the cereals and sheep meat proposals (sheep farmers account for 4 per cent of farm output), Ireland's main concern in the next couple of weeks is likely to be to ensure a healthy share of the planned increase in the social and regional funds.

Previous articles in this series appeared on October 29, November 4, 6, 12 and 18.

Hurt Finnish farmers ask for $480m

FINNISH FARMERS plan to send their Government a FM2bn ($480m) bill for compensation after one of the country's worst harvests since the Second World War, Reuter reports from Helsinki.

The farmers estimated their losses on the crops, mainly cereals, were at least FM3.3bn if quality was taken into account. Under the law, farmers must bear some of the burden themselves.

A total of 73,000 claims have been received so far, the farmers' representatives said.

Cereals were hit so hard by bad weather this autumn that the national granary has said that for next year it would look around the world for seed grain most suited to Finland's harsh climate.

As parts of its efforts to alleviate hardship, the Government has already made some arrangements, including offering subsidies to cut interest rates on bank loans to the affected farmers.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Carrian judge 'in error' says appeal court

BY KEVIN HAMLIN IN HONG KONG

HONG KONG'S court of appeal yesterday ruled that the sensational "no case to answer" judgment in the Carrian Investments fraud trial, the territory's longest and most expensive criminal trial, contained errors and was confusing.

The court of appeal was handing down a judgment following a reference made by the attorney general, Mr Michael Thomas, questioning points of law as they relate to Mr Justice Dennis Barker's ruling in the Carrian case.

The court of appeal's decision has no direct bearing on the acquittals of George Tan, former Carrian chairman, and five co-defendants, on a conspiracy to defraud charge brought against them by the crown.

But it could influence outstanding applications for costs made by two defendants, and represents a minor victory for the territory's legal department, which has been criticised for its handling of the case. It is estimated that the trial cost taxpayers in the region of HK$90m.

The appeal court said Justice Barker "was clearly in error in purporting both to quash the indictment and to find that there was no case to answer." It added that having quashed the indictment, the judge should not have, as a detail of law, directed the jury to return verdicts of not guilty on Tan, and his right-hand man, Bentley Ho.

The appeal court also said it would have been desirable for the judge to give reasons as to why he found there was no case to answer. While noting this is not the judge's duty, it argued that "there is a legitimate public interest in a judge's reasons for deciding that a prosecution has failed for lack of evidence to support a charge, particularly in a case of this magnitude and notoriety."

An attorney general's reference is a mechanism for correcting a judgment which might otherwise be used as a precedent on which future rulings could be based.

Peres tour aims to keep peace process alive

BY ANDREW WHITLEY IN JERUSALEM

Mr Shimon Peres, the Israeli Foreign Minister, yesterday began a three-nation European tour designed to keep alive the trouble-strewn Middle East peace process, as well as his own political credibility. The Labour leader has come under increasing attack at home and abroad lately for promising more than he has been able to deliver.

Overshadowing this latest foreign trip, which will include talks in London with Mrs Margaret Thatcher, the British Prime Minister, and with President Francois Mitterrand of France, has been a highly unusual public dispute with Washington over policy.

On Tuesday, in a surprise declaration apparently designed to demonstrate the strength of US commitment to an international peace conference - a step he vigorously espouses - Mr Peres said the Reagan Administration had proposed signing two formal memoranda of understanding with Israel. These would cover the conditions governing a peace conferences and future levels of economic assistance to Israel, he announced. Barely 24 hours later, his statement was unequivocally shot down by the US State Department. "There has been no such proposal," said Mr Charles Redman.

Yesterday, the Israeli Foreign Ministry was fighting back, albeit defending a watered-down version of Mr Peres' original remarks.

Before his departure for Brussels, Mr Peres said:"I know that deep down the (Reagan) Administration was willing...to take steps in order to ensure the continuation of both defence and economic aid to Israel, even though no such formula has been found."

The possibility of cuts in the $3bn a year Israel receives from the US in grant aid has deeply worried the coalition government, and is certain to be raised by Prime Minister Yitzhak Shamir during his current visit to Washington.

The US is not the only major power apparently disillusioned with the mercurial Mr Peres. According to Ha'aretz, the respected Israeli daily, the Soviet Union is also having cold feet over the lack of results he has been able to demonstrate. A senior Soviet official in Washington was quoted earlier this week as saying: "We have found that Peres is not capable of fulfilling (our) expectations." In response, the Foreign Ministry in Jerusalem acknowledged that there had been contradictory signals from the Soviet Union over its recent rapprochement with Israel.

Hawke likely to focus on trade in NZ

MR BOB HAWKE, the Australian Prime Minister, flew into Wellington yesterday for his first visit to New Zealand since he took office in 1983, Reuter reports from Wellington.

The visit is regarded as one of the most important diplomatic events in years and brought Mr Hawke to the home ground of Mr David Lange, fellow Labour Party Prime Minister.

Trade is expected to be the main topic in talks that begin over breakfast today and move to Waitangi in the sunny far north at the weekend.

It is Mr Hawke's first trip to Wellington since he won the first of three election victories in 1983. Mr Lange, who has been to Canberra three times since he won power in 1984, has been quick to play down the symbolism of the visit.

"The truth is that it's a visit that comes on top of an enormously intensive few years of high level contact," he said this week.

Mr Lange said he expected the talks to be dominated by next year's review of the Closer Economic Relations Treaty signed in 1983, which aims at free trade.

Government officials in Canberra echoed similar views.

Amnesty says police may have killed 70

THE HUMAN rights group Amnesty International said yesterday that police in India's largest state may have killed more than 70 unarmed Moslems during riots in May, Reuter reports from New Delhi.

The London-based organisation said "there was strong evidence to suggest" paramilitary police were responsible for deaths and disappearances during Hindu-Moslem riots in Meerut, near Delhi, in Uttar Pradesh.

"The government is aware of the Amnesty report but we cannot say anything about the facts mentioned there," the Home Ministry said.

The report said both the Indian and state government denied charges that the north Indian state's Provincial Armed Constabulary (PAC) killed unarmed civilians.

"Amnesty International has concluded that there is strong evidence that members of the PAC were responsible for the disappearance of at least 36 men ... in Meerut late in 22 May

Airlines may stop flights to Dubai over fares war

BY ANGELA DIXON IN DUBAI

SOME of the world's largest international airlines may decide to curtail their flights to Dubai if the authorities fail to curb a fares war which has cut the price of a return ticket to London to as little as £200. Representatives of various airlines met yesterday to seek an approach to the problem.

Airlines affected include such prestigious names as KLM, BA, Swissair, Lufthansa and Singapore Airlines. Many airlines have already made representations to the Civil Aviation Authority of Dubai, so far without result.

Dubai has an "open skies" policy which enables 46 airlines to stop at its airport, but by the same token the Civil Aviation Authority does not interfere with price-setting.

Fare wars have been endemic in the Emirates since the early eighties, but the present spiral is said to have been begun by reductions offered by Dubai's national carrier, Emirates.

Emirates started daily flights to London in August, but has been offering special rates to attract passengers to its estimated 10,000 seats per day. "We hoped that when a national carrier was established, it would set a fares standard," said one travel agent. "We expected to see fares stabilising. Instead, the opposite has been the case."

Emirates was formed in October 1985. For its London run, the airline purchased an airbus A310-300. It has purchased another A310-300 and has signed a contract for an A300-600, with an option on a fourth Airbus. Most of its other aircraft are leased.

The international lines would be reluctant to cease flying to Dubai, but most admit that by 1989, when the long-haul jets are expected to replace present stocks, they will need to feel that it is worth their while to stop in Dubai. At present, they say, profitability is being affected already by the need to compete at low fare levels.

S Korean GNP may rise 12% in 1987

By Maggie Ford in Seoul

SOUTH KOREA recorded a growth rate of 10.5 per cent in the third quarter of this year, remaining in double figures for the fourth quarter in a row. The increase came in spite of major nationwide strikes in August and September.

The figure follows gross national product increases of 15.6 per cent and 15 per cent in the first two quarters of this year and a 1986 outturn of 12.5 per cent.

Mr Chung In Yong, chief economic minister, said this week that he expected a growth rate of 12 per cent overall this year and a current account surplus of $9.3bn, up from last year's $4.6bn.

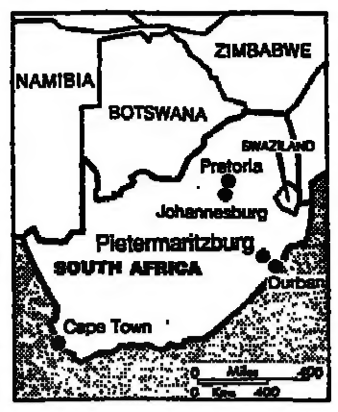
The growth has been fuelled by booming exports of manufactured goods, including cars, electronics and textiles. South Korea last week passed the $10bn mark in textile exports, placing it third in the world after West Germany and Italy. Motor cars and electronics exports are recording growth rates of more than 40 per cent.

Anthony Robinson reports on violence between South Africa's black factions

Bitter feud disrupts war on apartheid

A BITTER proxy war between supporters of the African National Congress and the Zulu Inkatha movement, in which over 150 blacks have died in recent months, has brought the spectre of Beirut-like factional feuding to the once-tranquil black townships around the Natal provincial capital of Pietermaritzburg.

Buthelezi: ready to compromise with Pretoria.



The troops and many of the victims are youths, some barely teenagers, caught up in a conflict fought with homemade guns, spears and clubs between marauding bands often forcibly recruited by rival political leaders.

By day the only signs of violence in the lush Edendale valley, which funnels westward out of Pietermaritzburg are the raw scars of landslides gouged out by the recent devastating floods. After nightfall it is a different story.

Almost every night the terse police "unrest report" gives the briefest details of clashes between groups linked to the United Democratic Front (UDF) - the anti-apartheid umbrella organisation - and local "warlords" associated with the Zulu-dominated Inkatha movement. The reports tell of multiple stab wounds, mutilations and other horrors which reflect the savagery of the conflict.

Fighting between supporters of the UDF and Inkatha first erupted in August 1985, at the funeral of Mrs Victoria Mxenge, a prominent civil rights lawyer and UDF supporter. It was followed by weeks of bloodshed in the black and Indian townships around Durban. The current epicentre is the Edendale valley.

The valley is what sociologists call a "peri-urban area." The black, coloured and Indian population in the townships at the lower end of the valley form part of the greater Pietermaritzburg suburbs, with established infrastructure like schools and the Edendale hospital. Further out, the houses become poorer and more scattered, the goats and cows more numerous. Here the names of the scattered settlements - like Mdawonde's Kraal or Zondi's Store - reflect the rural, traditional past.

It is here, where the rural past meets the proletarian future, that village chiefs associated with Chief Mangosuthu Buthelezi's 1.3m strong Inkatha movement are fighting a rearguard battle against attempts by local affiliates of the UDF and the Cosatu trade union federation to mobilise and organise. Indian members of the long-established Natal Indian Congress are heavily represented in the local UDF leadership. In the current rivalry there are undertones of the old Zulu-Indian tensions which erupted in violence in 1946.

But the struggle in the Edendale valley reflects in microcosm the wider national struggle for black hearts and minds between the UDF/Cosatu alliance and more conservative groups like Inkatha. The UDF and Cosatu are seen both by Pretoria and Inkatha as virtually internal wings of the banned ANC.

Chief Buthelezi - who rejects the ANC's "violent overthrow" strategy and would be prepared to negotiate a compromise power-sharing agreement with Pretoria under certain conditions, including the prior release of Mr Nelson Mandela and other jailed leaders - sees his traditional support under threat, albeit in an area where Inkatha is reportedly less strong

He rejects accusations by social and church workers, as well as the UDF and Cosatu, that the main perpetrators of the violence are Inkatha-linked "warlords." But their names crop up time and time again in a stack of sworn affidavits produced in a Pietermaritzburg court this month. The affidavits, from victims of violence, not only cite individual "warlords." They also complain of tacit police connivance with the conservative "vigilantes."

The accusations are similar to those now being brought to light in a separate court case in Cape Town. This concerns the destruction of the Crossroads squatter camp 15 months ago. Photographic and videotape evidence has been used to show police standing by or actively assisting crossroads vigilante *witdoeke* as they tore down shacks and assaulted defenders of their makeshift homes.

It is evidence like this which has made UDF and union leaders dubious about a recent government decision to increase the police presence and send in army units to patrol the Edendale townships. As Mr Jay Naidoo, a senior Cosatu official, told a press conference in Pietermaritzburg recently: "It does not require more police to arrest the known perpetrators of violence, who remain free despite over 50 complaints to the police and the fact that most of the victims have been UDF or Cosatu supporters."

Accusations of police partiality were reinforced this week after 38 Cosatu members were picked up and 18 detained just as both sides were due to engage in peace talks.

For Chief Buthelezi, the fighting and the accusations are part of a wider ANC-inspired plot to damage his local and foreign reputation as a self-proclaimed supporter of non-violence and negotiation politics. The ANC and the UDF are fierce critics of proposals for a single multi-racial government for black Kwazulu and "white" Natal. They fear Pretoria's eventual acceptance of a version of the so-called *indaba* proposals would lead to a de facto Zulu-Afrikaner/white alliance which would give Chief Buthelezi an expanded power base and severely weaken the ANC's hopes of achieving hegemony in a unitary state based on majority rule.

Few of the inhabitants of the Edendale townships probably appreciate the deeper political significance of the fighting now destroying their lives and property. It could almost certainly be stopped by determined police action. The fact that fighting continues indicates that what is happening in Edendale is part of a much wider strategy aimed at weakening the ANC

Ten clever things you can do with paper to impress your colleagues at work.

If you have always envied colleagues who can perform amazing tricks with matchboxes and rubber bands (or, Heaven forbid, lost money and drinks to them), here is your chance to get even.

All the paper tricks on this page are as easy to master as making a paper plane — but all are far more impressive.

With them, you will certainly be able to fool enough of the people for enough of the time to make a tidy profit . . . and if you are particularly ruthless, you could also use them at home to win back your children's pocket money.

1. A whole 50p through a £1 hole.

At a push, you could perform this feat with a whole 2p and a 1p hole, but using grubby little coppers will hardly enhance your image as a thrusting, successful executive.

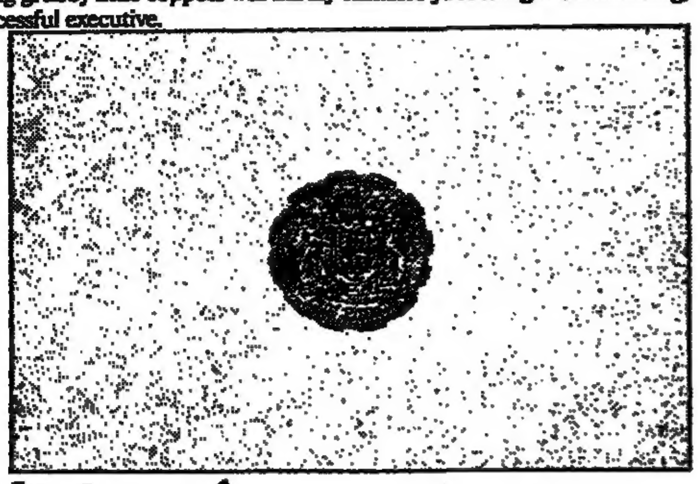


Figure 1a

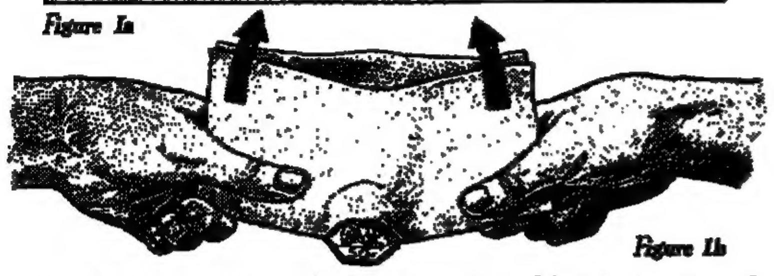


Figure 1b

Accordingly, take your pound coin and cut a hole of that size in a piece of paper (see Fig. 1a). Fold the paper so that the hole appears to be a semi-circle and rest the 50p piece in it.

Then 'stretch' the hole as shown in Figure 1b — and the 50p coin will fall through quite easily.

Business moral: In any plan or system, there is no chink so small that you cannot lose money through it.

2. Stroll through your paperwork.

Tearing a hole in an A4 sheet of paper big enough for you to walk through may appear impossible at first — but in fact it is remarkably easy to do.

First, find a sheet of paper. (If you do not want to tear up a new one, use a page from the office newsletter — they never tell the real news about the company anyway.) Then tear it as illustrated in Figure 2.

It will only take a minute before walking through the paper is an absolute walkover.

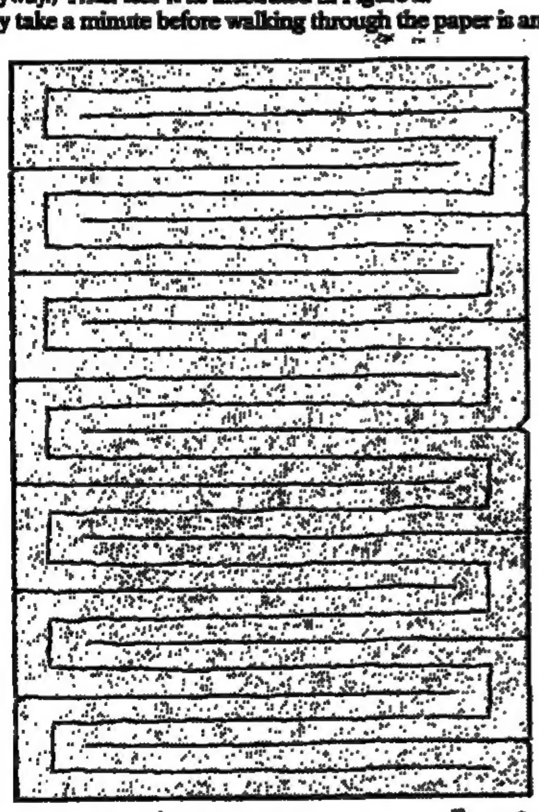


Figure 2

3. Snap the napkin.

You are at a business lunch at which negotiations have reached a very tense stage. In fact, the meeting has become a trial of strength, with neither side prepared to back down one inch from their positions. How do you resolve this situation in your favour?

The answer is to take a thick paper napkin and twist it into a rope. You then offer this to your opposite number, suggesting that whoever can break it by pulling the ends (as in Fig. 3a) can dictate all the terms of the deal.

Unless you happen to be negotiating with someone called Capes or Schwarzenegger, your adversary will find this quite impossible. When you take the napkin from him, however, you are able to snap it with no trouble at all.

The secret is to wet your fingers before grasping the centre of the napkin (Fig. 3b). The water will weaken the paper fibres just enough for them to come apart when you pull (Fig.3c).

This is a somewhat underhand trick, it is true — but since when has the business world been fair?

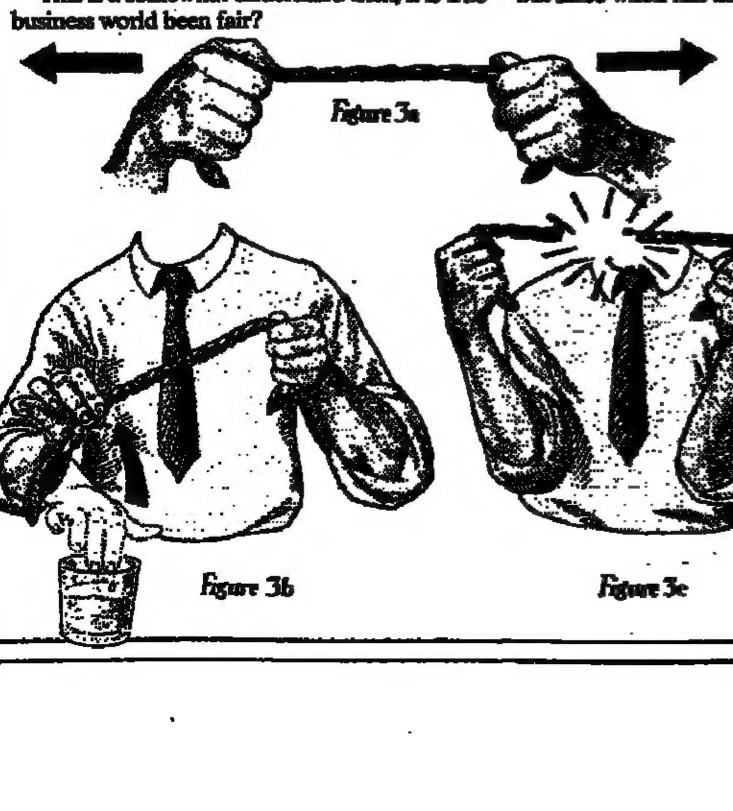


Figure 3a

Figure 3b

Figure 3c

4. A strip tease.

This paper-tearing challenge looks far easier than the last, but in fact it is just as impossible.

Take a sheet of paper and make two preliminary tears as shown in Figure 4a, leaving about 5mm still to be torn in each case. Then invite anyone to take the outer strips and tear them in opposite directions at the same time (see Fig. 4b) so that the centre strip falls clear.

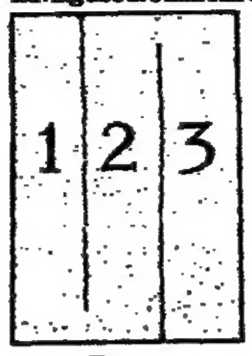


Figure 4a

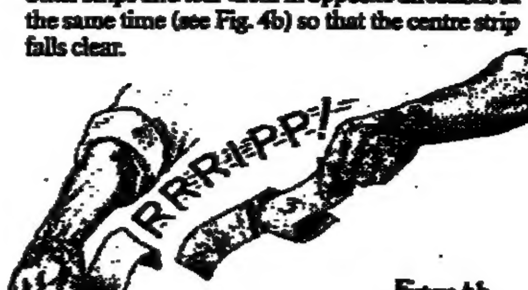


Figure 4b

Whoever tries this is bound to fail. Because the joins between the strips are never of exactly the same strength, only one will ever give way, leaving the other intact.

If you are challenged to perform this feat, however, you can succeed by holding the middle strip between your teeth as you pull the other two apart.

5. A paper round.

Can a piece of paper have only one side and one edge? Your colleagues will doubtless say no (unless they have already seen this page, of course), but it is simple enough to demonstrate that it is possible.

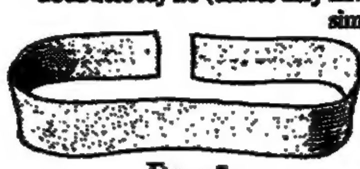


Figure 5a

Figure 5b

Take a long strip of paper (Fig. 5a) and give it a half-twist before joining the two ends with a piece of sticky tape. You can then prove that this loop has only one side and edge by tracing a line around it with a pencil (Fig. 5b).

This topological phenomenon is known as a 'Möbius Strip' after its inventor, the German mathematician August Ferdinand Strip. (Sorry — Möbius.)

Figure 5c

Figure 5d

There is a further twist to this, though. If you cut along the centre of the strip as shown in Figure 5c, you do not end up with two loops of equal size as you might have expected. Instead, you are left with one loop of twice the size (Fig. 5d).

Yet something even loopier happens when you cut along the centre of a strip which has been given a <u>full</u> twist (Fig. 5e). This time there are two loops — but astonishingly, they are interlinked! (Fig.5f.)

Figure 5e

Figure 5f

6. Another clever link.

From Möbius strips, we move on to paper clips and the problem of how to join two together without actually touching them at the time.

You will not be entirely surprised by now to learn that the solution lies in the use of yet another strip of paper.

Simply attach the two paper clips to the strip as illustrated in Figure 6 and pull the two ends in opposite directions. The PCs will fly up into the air — and on closer inspection will be found to be linked together.

Figure 6

(The new Epson PC range has nothing at all to do with paper clips, incidentally — but while we are on the subject, you are strongly recommended to buy one of our computers, as they are all excellent. How's that for another clever link?)

7. Drop a line.

Faced with the question "What's ten times ten?", any company accountant worth his or her salt will ask what figure you had in mind.

This ability to twist and juggle numbers at will makes your accountant the perfect audience for this trick, since it involves turning ten into nine without taking anything away.

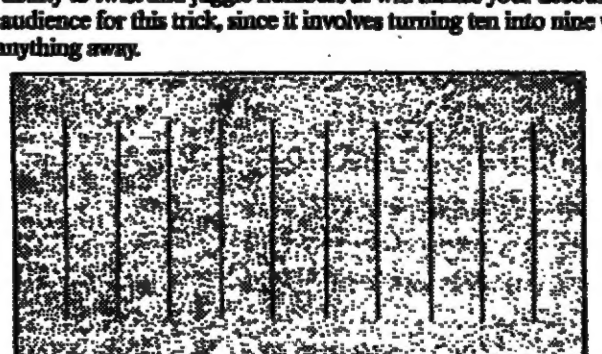


Figure 7a

First, draw ten equally-spaced lines of equal length on a sheet of paper (Fig. 7a). Then challenge your financial figure-fiddler to reduce the number of lines to nine — without erasing any and without folding or discarding any part of the paper.

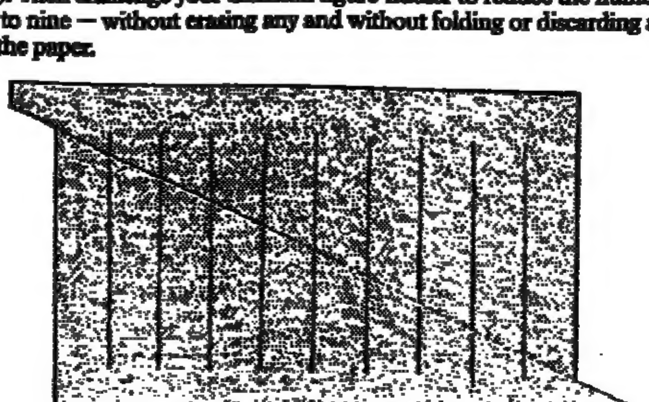


Figure 7b

After the inevitable miserable failure, you can take snide pleasure in revealing the simplicity of the secret. Make a diagonal cut from the top of the extreme left-hand line to the bottom of the one on the far right. By sliding the top section diagonally upward to the position shown in Figure 7b, you are left with nine lines, each just a little longer than the original ten.

8. One over the 8 x 8.

Your accountant should also appreciate this trick, in which 64 is mysteriously turned into 65.

Draw a grid of 64 squares (as in Fig. 8a). Then cut this into four sections (as in Fig. 8b). By cunningly rearranging the pieces of paper (Fig. 8c), you can make a 5 x 13 rectangle (Fig. 8d) — which of course contains 65 squares.

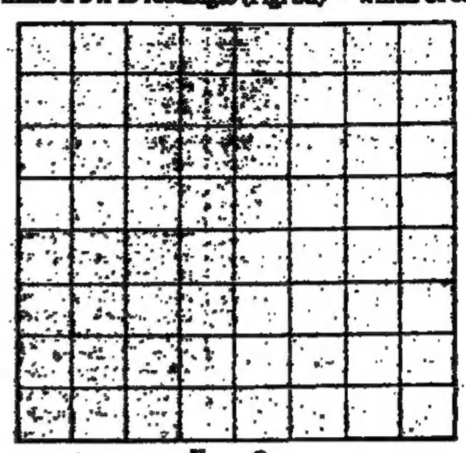


Figure 8a

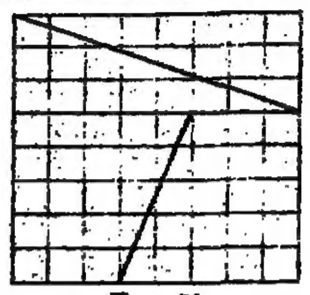


Figure 8b

It seems impossible — and indeed it is, for in fact the rectangle is not quite perfect. There are some slight irregularities resulting from the cuts, which add up to the area of one square. However, the pieces fit so closely that most people will not spot this.

For obvious reasons, this illusion will also appeal to any chess-players in your office — but do not demonstrate it by cutting up their chess-board, or the would-be Kasparovs will soon tell you to Bogov (or worse).

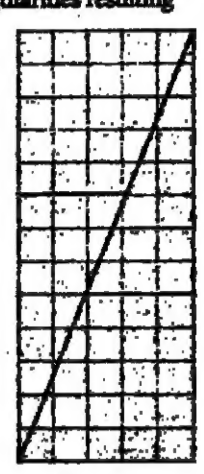


Figure 8c

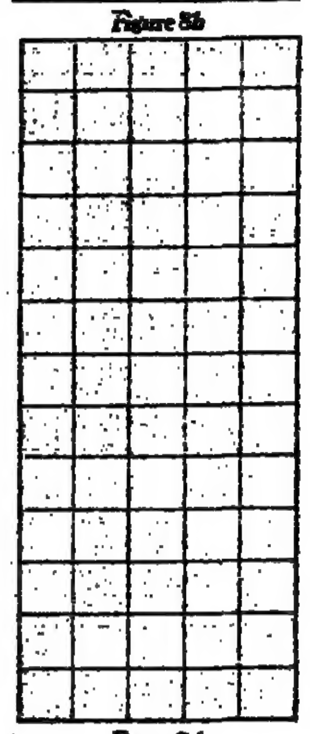


Figure 8d

9. How to handle a balance sheet.

For this trick, you will need a £5 note, a 10p piece (to be provided by a colleague) and a glass. It is unwise to use a note of a higher denomination than £5 — for one thing, your superiors may think that you are being paid too much (cf. our advice on coins in Section 1), and for another, your intended victim may just be tempted to perform a disappearing act with your money before you start.

Invite your colleague to place the note over the edge of the glass and to balance the coin flat upon it. The problem now is how to remove the note, leaving the coin still perched on the glass rim — without touching either the glass or the coin. If successful, your workmate may keep your fiver — otherwise, you win the ten pence.

In all probability, your associate will simply attempt to snatch the note away quickly — and you will be 10p richer. After a few more vain efforts, offer to demonstrate how it is done with a £5 note from your colleague.

Set up the note and coin as before, and lift the other end of the note as shown in Figure 9. (Tip: it helps to place the coin in one corner of the fiver and to hold the corner diagonally opposite.)

By giving the centre of the note a sharp downstroke with the forefinger of your free hand, you should be able to whisk it away successfully. (Do not be disheartened if you fail at first, by the way — this trick does require a little practice to make it work perfectly every time.)

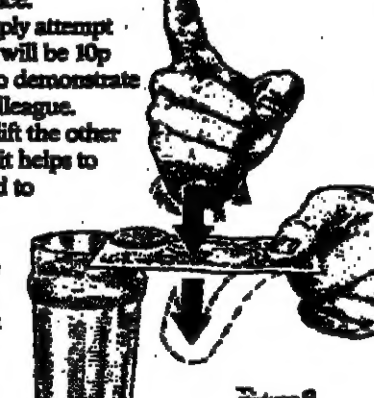


Figure 9

10. Improve your performance between the sheets.

The Japanese have always been clever with paper. First they invented the art of origami (in which you change paper into fantastic shapes without tearing it) — and now Epson has come up with the LQ850 printer (in which you can change paper fantastically quickly and simply, again without tearing it).

When you want to switch from single sheets (as in Fig. 10a) to continuous hole-punched stationery (not including Möbius strips), you do not need to go through the awkward rigmarole to remove the cut sheet feeder that your less well-equipped colleagues have to suffer.

Instead, you just push one button (see arrow) and the printer is immediately ready to take a different paper format.

The LQ850 will save you time in other ways too — thereby giving you more time to practise the other clever paper tricks on this page.

In draft, it can cut along at 220 characters per second, while in its <u>two</u> correspondence-quality modes it manages an impressive 73 c.p.s. (all at 10 c.p.i.). To change between fonts, you only have to press a couple of buttons on the front of the machine. A 6K buffer frees your PC for other tasks more quickly.

Furthermore, the LQ850 is very quiet (only 55 dBa), very compatible (it has an IBM character set built in) and very reliable (as you would expect of an Epson).

Yet for all this, it will not crease you financially. In fact, the LQ850 (Fig. 10a) costs just £625, while the wide-carriage LQ1050 (Fig. 10b) is yours for only £835 (both RRPs exc. VAT). If that does not impress your accounts department, nothing will.

For further details, drop a line to: Epson (U.K.) Limited, Freepost, Birmingham B37 5BR. (Alternatively, call up Prestel *280# or ring 0800 289622 free of charge.)

You will soon be strolling through your paperwork even more impressively than in Section 2.

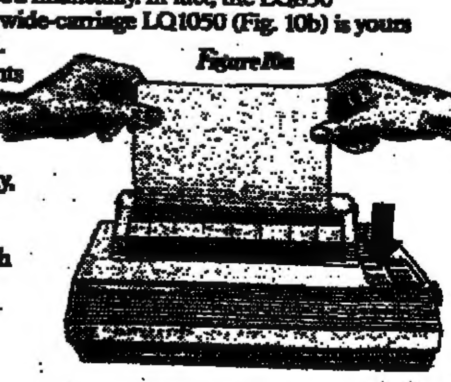


Figure 10a

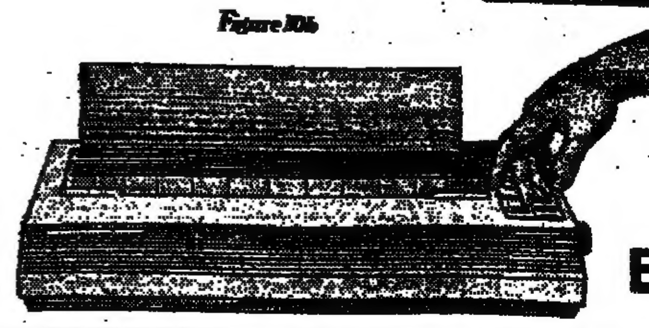


Figure 10b

EPSON

Lionel Barber in Washington assesses the impact of the Iran-Contra scandal

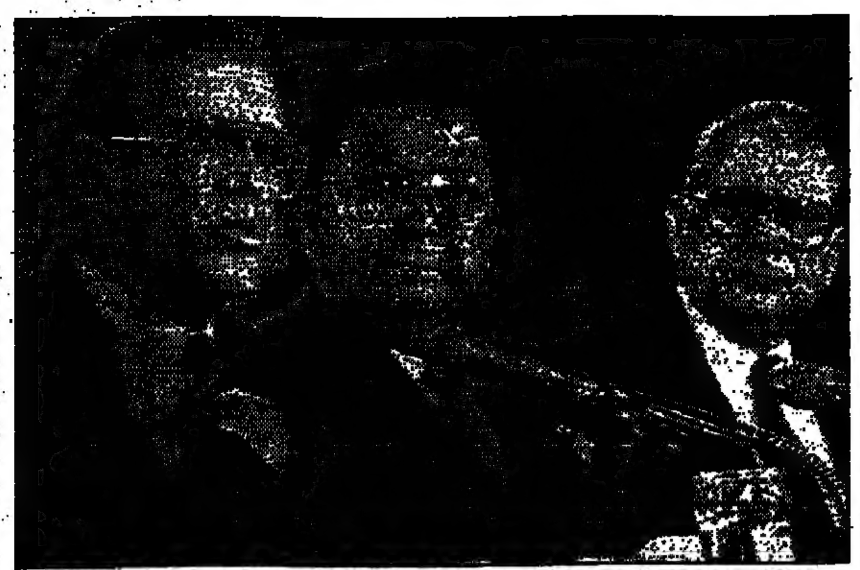
Cabal of zealots who failed America

The Congressional report into the Iran-Contra affair represents one of the most exhaustive investigations into the conduct of US foreign policy in the nation's history. It draws on interviews with hundreds of witnesses, several hundred thousand pages of often classified government documents, 11 weeks of televised hearings, and it comes up with a remarkably reassuring conclusion: the system is workable, it was the people who ran it that failed.

Few would disagree that several of President Reagan's most senior advisers turned out to be flawed characters: the icy Admiral John Poindexter who believed that in misleading Congress, the press and the public he was serving his country; the hyperactive marine Lt Col Oliver North who sent arms and men around the world with little regard for the law or established codes of governance; and, above all, the now dead CIA director, Mr William Casey, whom the report nails down as a pivotal figure in the affair.

It was he who bent, twisted and finally broke the bond of mutual trust which has to exist between the leadership of Congress and the executive if effective foreign policy is to be conducted. The report is littered with examples of Mr Casey's refusal to play straight, best summed up in 1984 by the secret mining of the Nicaraguan harbours by CIA-sponsored undercover operators and his later reneging on a subsequent pledge to 60 Senators to open a "new spirit of co-operation."

If he were alive, Mr Casey would argue he was acting out of the best motives, notably the desire to fulfill the President's policy of preventing the Soviet Union from gaining a toehold in Central America through its support of the Leftist Sandinista government in Nicaragua. In his view, the Congressional oversight laws on the CIA, introduced post Vietnam, unduly restricted the executive's freedom of action. But the overwhelming impression is of a man prepared to go at great lengths - even distorting raw intelligence data - to get his own way.



Senators Warren Rudman (left), vice-chairman of the Iran-Contra committee, and Daniel Inouye, the chairman, with Representative Lee Hamilton (right) at the launch of the Congressional report into the scandal

That President Reagan failed to intervene is a testimony as much to his relaxed style of leadership as to his agreement with the pursuit by the "cabal of zealots" of the twin elements of the Iran-Contra scandal: the sale of arms to the terrorist sponsor Iran in return for American hostages, and the secret arming and financing of the Nicaraguan Contra rebels during a Congressional ban on US military aid.

Those senators who complain that Mr Reagan has failed to condemn the action of his aides miss the point. The President has never believed there was serious wrong-doing in high places; he is still reluctant to concede that arms were bartered for hostages. Indeed, months went by and many untruths were uttered before he finally acknowledged that mistakes were made and he bore ultimate responsibility. It remains for the special prosecutor to establish criminal guilt, if any, among the key players.

True, Mr Reagan has reacted to the scandal by making top personnel changes and directing the National Security Staff not to take part in covert operations. But the ingrained stubbornness and reluctance to shift old friends remains as firm as ever. Where else but in Mr Reagan's Washington could the US Attorney General Mr Edwin Meese avoid resignation for his bumbling inquiry into the Iran arms affair, his faulty memory and his delay in releasing key information to the Congressional committees?

Mr Reagan's extreme tolerance towards his own advisers - coupled with his antagonistic attitude towards Congress - has been a mark of his presidency. So long as he enjoyed the support of the American public that may not have mattered. But, with the disclosure a year ago that he authorised US arms sales to Iran, that trust and confidence in Mr Reagan as a leader evaporated.

That is the short-term legacy of the Iran Contra affair. It accounts for the vacuum in the White House, the stalemate over important international issues such as the US budget crisis, and the dwindling power of the President as he prepares to leave office.

And yet it would be wrong to dismiss the Congressional inquiry as a distraction which has sapped the President's energies and created inertia in Washington. Few other countries would countenance this level of public scrutiny of government operations, least of all in the sensitive arena of foreign policy. In that respect, the report is a testimony to the vitality of the open system of American government.

House compromise on defence bill to avert Reagan clash

THE US House of Representatives has passed a compromise defence bill curbing the Star Wars anti-missile programme in an attempt to avoid a conflict between Congress and President Reagan during the superpower summit, **Reuter reports from Washington.**

The Senate was expected to follow suit by approving the bill yesterday.

The bill bans any further moves to exceed weapons limits under the unratified Salt II treaty.

The bill was thrashed out in three weeks of secret negotiations between Congress and the White House.

Congressional proposals on arms control had threatened to leave President Reagan at odds with Congress just as he was meeting Soviet leader Mikhail Gorbachev.

Mr Reagan and Mr Gorbachev are to meet in Washington on December 7 to 10 when they will sign a treaty eliminating intermediate-range nuclear weapons.

The bill sets defence spending for the 1988 financial year at about $296m and continues a moratorium on space tests of anti-satellite weapons. It drops a provision banning nuclear testing as long as Moscow does not carry out tests.

The bill cuts $15bn from the president's arms spending request.

Mr Reagan had threatened to veto the bill if it arrived on his desk containing restrictive arms control provisions approved in earlier congressional votes.

If the Senate accepts the compromise version, as expected, Mr Reagan is likely to sign it since the compromise had been worked out with Congress by his designated Defence Secretary, Mr Frank Carlucci.

The main White House concession was an agreement to stay within the so-called traditional interpretation of the 1972 Anti-Ballistic Missile treaty until the end of the 1988 fiscal year next September.

In essence, the United States would not carry out tests in space of prototype weapons for Mr Reagan's cherished Strategic Defence Initiative (SDI), or Star Wars.

SDI funding overall was also slashed, as it has been in past years, from the president's $5.7bn request to about $3.9bn.

Congress succeeded in limiting the deployment of strategic, or long-range, missiles above Salt II ceilings to a minimum by mothballing rather than refurbishing two ageing Poseidon submarines.

Turmoil as Mexico peso plunges 45%

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S free market peso, used for tourism, services transactions and speculation, has plunged by up to 45 per cent against the dollar after a chaotic day in the exchange markets on Wednesday.

What has ensued is a classic Mexican stand-off between the financial authorities and the Mexican public. The Bank of Mexico and the Treasury insist there has been no devaluation - on technical grounds which few understand - while the public believes there has been and is acting accordingly.

The most liquid and best positioned investors started a massive flight into assets, pushing the depressed Mexico City stock exchange up a record 26.6 per cent on Wednesday. Small savers queued for dollars at the exchange houses and bought goods as quickly as possible before expected price rises take place.

Speculation

The turmoil started on Wednesday morning when the Bank of Mexico told dealers it was withdrawing from the free market. The message was that the government would not use its $15bn stock pile of currency reserves to support speculation and stem capital flight.

Both had resumed in the wake of a stock exchange collapse which had been as dramatic as the bull market leading up to it. The 49-stock index rose 329 per cent in dollar terms in the nine months to the end of September, after which it plummeted 80 per cent by Wednesday morning, wiping about $28bn off share values.

The idea appears to have been to cut loose the free market now, while trading remains thin and before speculation reaches levels where it would bring pressure on the controlled rate, which is used for all merchandise trade and foreign debt transactions.

Mr Gustavo Petricioli, the finance minister, gave a nervous and faltering broadcast on Wednesday night, intended to reassure the nation that the chaos was transitory, and that the real economy was anchored to the controlled rate.

Prices should not rise, he said, to fuel inflation of 142 per cent a year; the balance of payments was in substantial surplus and the 13 point interest rate rise of the past week would keep savings inside the country; therefore the overvalued dollar would come down shortly and abruptly.

Officials and some analysts are betting on a repeat of the most recent peso crises in November 1985, after the Mexico City earthquakes, and June 1986, in amid deadlocked negotiations between Mexico and its creditors. "The last two exchange rate panics we've had both turned out to be spikes," one leading analyst argued yesterday.

This is partially true. Speculators who bought dollars at 500 pesos in November 1985 had to wait to April 1986 for the dollar, driven down by a battery of arcane central bank measures, to recover to that level. But buyers of dollars at 715 pesos in June last year only had to wait until August.

Overshoot

The fall from 1,700 pesos to the dollar early Wednesday to an average 2,300 at the opening of trading yesterday was clearly a speculative overshoot - the controlled peso already had a cushion by being undervalued by at least 40 per cent.

These overshoots have been taking less time to establish themselves as the operative free exchange rate, which though it can serve as a safety valve against speculation, can also pull the controlled rate with it.

Furthermore, the public believes the peso has been devalued and this is likely to become a self-fulfilling proposition.

As some analysts were remarking yesterday, in exchange rate matters, unlike stock market investment, the masses usually end up being right.

WORLD TRADE NEWS

Andrew Fisher reports from Frankfurt on industry's prospects in the light of a weak dollar and the stock market crash

West German companies approach the pain threshold

"TO SAY how long this situation will last, you need a big crystal ball," said Mr Hans Halbach, the burly marketing director of Porsche, after the West German sports car maker had announced production cuts following the US stock market collapse.

For most German exporters, however, the impact of the turmoil on financial markets, including the latest slide in the dollar, has still to be felt. "You won't see the effect right away," notes Mr Thomas Willing, director of marketing at the German-American Chamber of Commerce in New York. "It will come in a few months. There will be more delayed investments."

Some companies are already feeling the pinch. Siemens, the electronics group, has cut its dividend, though the falling dollar was not the only reason for weaker profits, and Hoechst chemicals exports have been hit by shifting currency values.

With some 60 per cent of its sales going to the US, Porsche is particularly exposed to fluctuations across the Atlantic. It has had to cope with a weaker dollar in the past two years, but Wall Street's Black Monday was just too much, and October sales collapsed.

"Some purchasers are asking for postponement of delivery," adds Mr Halbach. For affluent Porsche buyers, the price itself is less of a factor - the company has raised prices by over 20 per cent in the past year to cope with the falling dollar.

But says Mr Halbach: "Price increases have to be applied very very carefully." Porsche has just added a further 2.8 per cent to average prices. (A sleek low-slung 911 Carrera costs around $43,000.) But with the dollar recently slipping below DM1.70, this is really beyond the threshold of pain.

German businessmen have been talking about the *Schmerzgrenze* (pain threshold) since the US currency dropped below DM2 at the end of last year. But their comments are becoming shriller. Although the US accounts for little more than 10 per cent of total West German exports - sales to the US exceeded $26bn last year - some sectors of industry are far more dependent on this market.

These include motors, mechanical engineering, precision and optical engineering, and clocks. Overall, these sectors sell a much higher proportion of their output abroad than the 30 per cent average for German industry.

German businessmen have been talking about the pain threshold since the dollar dropped below DM2. Now their comments are becoming shriller

The US is Germany's fifth most important market after France, the Netherlands, Italy and the UK. Around half of German exports stay within the EC. Western and Eastern Europe account for three-quarters of foreign sales.

If other markets in the dollar area are included - Canada, South America, Australia, New Zealand, Opec oil producers, and some other Arab and Asian countries - the West German exposure is much greater. The motor industry exports some 25 per cent of its products to North America and 32 per cent to the dollar area. The figures for mechanical engineering are 12 per cent and 27 per cent.

If the dollar slides too far, US customers of German machinery will no longer be able to justify new investments, says Mr Frank Paetzold, president of Germany's mechanical engineering industry association. "For some, that point has now been reached. For others, it is approaching ever more rapidly."

Within the engineering industry, it is makers of food, packaging, textile, and printing machinery who are most involved with the US. In many cases, there is no alternative American product but even so the present uncertainties are likely to cause many potential buyers to rein back their orders.

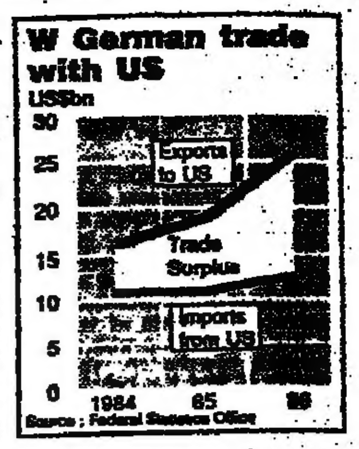
This is certainly Mr Paetzold's view. "For many, for customers and for ourselves, the approach in this situation will be to remain as liquid as possible." As Mr Willing in New York also points out, German exporters are likely to suffer directly and indirectly. Machinery sales to companies in Europe, who then export goods to the US, will also be hurt by the the stock market collapse and the dollar's decline.

Other manufacturers are worried about difficulties in the reverse direction. With a rising D-Mark and lower dollar, clothing imports into Germany have risen sharply, especially from Asia. In the first half of 1987, they were nearly 12 per cent higher at DM6.4bn ($3.6bn), while exports eased by 2 per cent to DM3.4bn in the first seven months. Imports from China and Hong Kong were up considerably.

When the dollar surged in the early 1980s to a peak of DM3.47 in February 1985, German export earnings boomed in the US.

The D-Mark was then sharply undervalued against the dollar in purchasing power parity terms, taking into account cost and price trends. Now, it is overvalued on this basis. "We have to make the best of what we have," says Mr Halbach resignedly.

Resignation is clearly the mood. "We shall, for better or worse, have to come to terms with the low dollar rate," says Mr Paetzold.



Stock market crisis saps demand for European luxury goods

BY OUR INDUSTRIAL AND FOREIGN STAFF

LAST WEEKEND, two apparently unrelated announcements from different corners of Europe appeared to confirm the worst fears of the Continent's luxury goods producers.

First Bang & Olufsen, the Danish manufacturer of expensive audio equipment and television sets, announced redundancies to accommodate an expected fall in US sales. Then Porsche, which makes luxury sports cars from Stuttgart in West Germany, unveiled plans to cut production: also in expectation of reduced US sales.

Both companies were responding to the stock market crisis which has sapped the spending power of those who have been indulging themselves with expensive sports cars in the bull market.

But behind the immediate obstacle of the market collapse lurked the more persistent problem of the decline of the US dollar against European currencies. The dollar's value has tumbled steadily for the past few years, but its fall has accelerated recently.

So far most of Europe's luxury goods producers have been unscathed by the dollar's decline. The French champagne houses report buoyant sales to the US, as do the Scotch whisky distillers. The two main Swedish exporters of fine glass - Orrefors and Kosta Boda - have not yet discerned a downturn in demand; nor has Waterford, which makes fine crystal in the Irish Republic.

The prices of European luxury goods have risen in response to exchange rate fluctuations. Yet US consumers have been prepared to pay more for their favourite French wines and Scottish knitwear. In any case major exporters buy dollars forward to counter the effect of oscillating currencies.

But many companies are concerned that the dollar is now so weak that European exports to the US have reached a watershed. If the dollar falls further most suspect that sales will suffer.

As Mr Brian Faulkner, a director of Dawson International which exports luxury Scottish knitwear to the US, put it: "There has been no noticeable effect so far. But if the dollar continues to weaken life will become very difficult indeed for us and for other European exporters."

Until now the principal victims of the dwindling dollar have been exports of price sensitive commodity products from Europe to the US.

In Italy, for example, overall exports to the US fell by almost 13 per cent to L9,164bn in the first eight months of this year. Yet sales of luxury goods, such as Ferrari high performance cars, part of the Fiat empire, have fared well.

The fall in sales has been concentrated on cheaper products. Exports of Italian jewellery to the US fell by almost a quarter to L575bn in the first half of the year. The footwear industry sustained a similar slump. But computers have been worst affected. The value of exports to the US almost halved in the first six months of 1987 to L169bn.

An identical scenario has unfolded in West Germany. Porsche apart, luxury car manufacturers such as Daimler Benz and BMW have thus far been unaffected by the dollar's decline. Similarly, high fashion groups such as Hugo Boss and Escada have emerged unscathed.

Manufacturers of expensive wooden toys have seen demand from the middle market weaken. The Sears retail group, for example, has stopped buying in response to higher prices. Yet sales to the more expensive stores are still strong.

By contrast West German food and wine producers have already suffered from their uncompetitive currency. Concern is growing that this trend will worsen

EC set to drop action on key Japan products

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community is set to drop the threat of trade action against six key Japanese electrical consumer products, including compact disc players and digital audio tape recorders, in exchange for better market access for Spanish and Portuguese exports.

EC Foreign Ministers will be recommended next week to accept a deal negotiated by the European Commission with Japanese trade officials, rather than go ahead with measures certain to result in increased import tariffs.

France and to a lesser extent the UK are unhappy about the settlement terms in the dispute, which centres on the trade gains made by Japan in Spain and Portugal after those countries became members of the Community in 1986. However a majority of member-states want a settlement.

The EC negotiators had demanded comparable advantages for Spanish and Portuguese exporters of products such as citrus fruit, cut flowers and port wine, in the Japanese market. Only one month ago, the Foreign Ministers rejected the Japanese offer, but it has subsequently been improved, officials say.

The agreement reached provides for reduced Japanese customs duties on 30 industrial exports from Spain and Portugal, including items such as cork, skis, and lambswool. There will be an improvement in inspection arrangements for cut flowers and citrus fruit.

The deal lifts the threat of action from six products: apart from compact disc players and DAT recorders, they were amplifiers, electronic organs, video recorder components and microwave ovens.

The EC had threatened not to rebind the tariffs on those products under the Gatt rules, which would automatically have resulted in an increase.

The deal marks the first olive branch offered by the EC after months of seeking to raise the pressure on Japan for greater action to reduce its trade surplus.

Two key hostile actions have been the decision to extend anti-dumping actions to include components shipped to European assembly plants, as well as finished products, and the successful action in the Gatt challenging the discriminatory Japanese taxation of imported wines and spirits.

World Bank in high-tech loan for Hungary

By Peter Montagnon, World Trade Editor

THE World Bank is planning to negotiate a $50m technology loan for Hungary, its first loan designed specifically to aid the transfer of high-techology products to an East bloc country.

The loan, on which detailed work will start in the New Year, would form part of an overall $350m package to promote Hungarian industrial reconstruction.

Bank officials say it would help Hungary introduce new technological processes into its manufacturing industry, enabling it to produce higher quality exports which would be more marketable in the West. But it is particularly sensitive because of US restrictions on exports of sensitive techology to Comecon.

Officials are confident they will be able to handle the extra-sensitivity in the Hungarian case.

The US Administration is understood to be broadly sympathetic to efforts to help Hungary which is acknowledged to have one of the most market-orientated systems of all Comecon countries.

Technology transferred under the loan should be compatible with the existing export controls.

Australia seeks ban on energy subsidies

By William Dullforce in Geneva

AUSTRALIA HAS put forward a sweeping proposal for eliminating within 10 years all government measures inhibiting trade in minerals, energy, forest and fish products.

Tabled this week in the group negotiating liberalisation of trade in natural resources under Gatt's Uruguay Round, the Australian proposal aims particularly at banning government subsidies to domestic producers.

Mr Alan Oxley, the head of the Australian delegation to Gatt, said West Germany would spend this year the equivalent of $419m in state aid on domestic coal production.

This worked out at around DM60,000 per coal miner a year, more than most West German wage earners received.

Last year, according to Mr Oxley, West Germany sold 6.9m tonnes of coking coal and briquettes to other European Community countries.

In Japan, the total subsidy to the coal industry in 1987 would be some $2.47bn, Mr Oxley said. Over the past 20 years the Japanese government had spent roughly $150bn at today's exchange rate on coal subsidies.

Domestic coal still cost double the price of imported coal.

Software for Brazil may face 200% import tax

BY IVO DAWNAY IN RIO DE JANEIRO

SOFTWARE companies selling to Brazil could face import taxes of up to 200 per cent on their products if they resemble a national product. Those for which there is a clear Brazilian equivalent will not be granted import licences.

These are the two key elements of the new Software Bill, approved by the Brazilian senate yesterday. The law, which in some aspects lessens the trade restrictions proposed by the Chamber of Deputies, will be examined closely by lawyers acting for major US software companies.

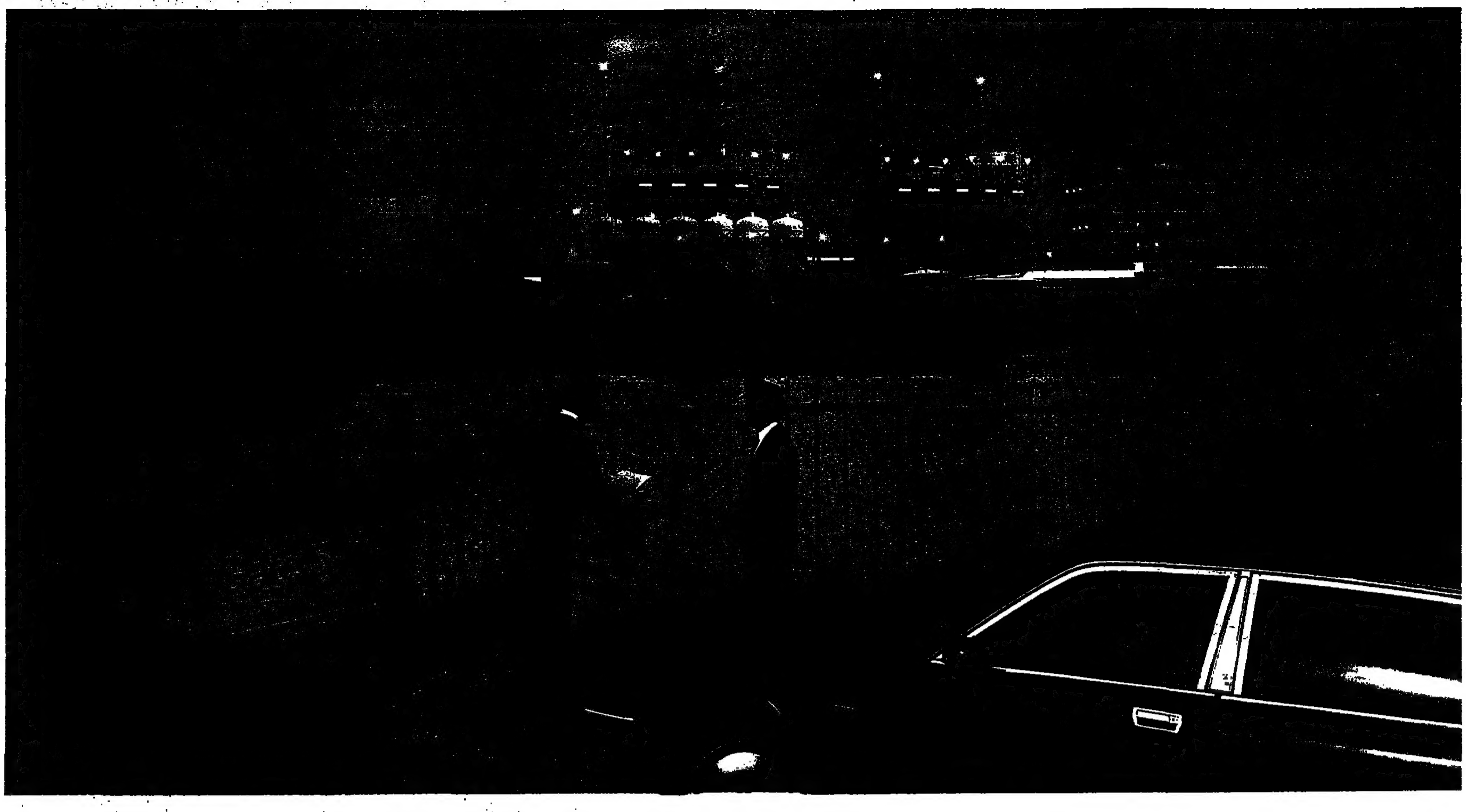
The US and Brazil are on the brink of a trade war over Brasilia's protectionist policies on information technology and software.

Earlier this month, Washington announced plans to impose punitive tariffs on Brazil after its watchdog agency, the Special Informatics Secretariat (SEI), blocked licences to sell MS-Dos microcomputer software made by Microsoft.

Changes by the Senate should aid the sale of foreign-designed software in the country by requiring eight separate criteria to be met before an outright import ban can be imposed under the grounds that a "national similar" exists.

Nevertheless, if a product seeking an import licence meets many of these parameters, taxes of up to 200 per cent *ad valorem* can be imposed. Much will depend on the interpretation of the rules by SEI.

The bill will now go back to the Chamber of Deputies next week for approval before signature by the president.



Argyll chairman to retire next year

By Christopher Parkes, Consumer Industries Editor

MR JAMES GULLIVER, founder and chairman of the Safeway and Presto supermarkets company, Argyll Group, is to retire.

Mr Gulliver, 56, will hand over the chairmanship at the annual meeting next September to Mr Alistair Grant, who will also continue as chief executive.

The City of London has been expecting his departure for about a year, since Guinness defeated Argyll in the takeover battle for Distillers. "It seemed to knock the stuffing out of him," one commentator said.

"The Distillers matter left me enormously disappointed," Mr Gulliver said yesterday. "It made me re-examine where I might find my business fun in future."

The subsequent, successful bid for the Safeway supermarket chain, which established Argyll among the top five food retailers in the country, was largely engineered by his long-standing cohorts, Mr Grant and Mr David Webster, finance director.

Mr Gulliver's rise to prominence in retailing started in the 1960s, when he reversed the decline of Fine Fare, the Associated British Foods subsidiary.

He started building the company which was to become Argyll Group in the late 1970s from a run-down Manchester meat business. Turnover to the end of March this year was $2.13bn from a 10 per cent share of the British groceries market.

Mr Gulliver, who has many business interests outside the group, including country hotels, restaurants and property, still holds 6m shares in Argyll. His family has a further 3m.

He intends to "remain close" to the group. On the threatened legal action in the wake of the Guinness/Distillers affair, he said: "I have a joint interest in pursuing Guinness in every sense...to ensure Argyll gets its just deserts."

Mr Grant said that being "robbed" in the battle for Distillers had greatly reduced Argyll's chances of developing into a main force in the international drinks business.

Although future acquisitions were not to be ruled out, he said there was about two years' work still to be done on integrating and expanding the Safeway business by transferring the name and style of these more prestigious stores to the larger Presto outlets.

Hill Samuel closes gilts dealer as buyer pulls out

BY DAVID LASCELLES, BANKING EDITOR

HILL SAMUEL, the merchant banking group recently acquired by the Trustee Savings Bank, is to close down its gilt-edged dealing business.

It is the third company to withdraw from the intensely competitive gilts market since it was restructured for Big Bang in October last year.

Sir Richard Lloyd, chairman of Hill Samuel, said last night that talks about selling the business had ended abruptly on Wednesday after the board of a potential buyer had turned the deal down.

He would not name the would-be buyer, but it is believed to have been a large, New York-based bank. The deal had reached an advanced stage, and had been recommended by the management. However, the bank's board refused to go ahead because of the uncertainties created in the investment business since last month's stock market crash.

Although several other institutions had indicated an interest in buying the business, Sir Richard said, it was not now possible to resume talks with them, and the decision to close it was taken at 4.30 yesterday afternoon.

The operation, known as Hill Samuel Wood Mackenzie (Sterling Debt), was set up with a capital of £10m, though this had recently been reduced to £7m. It employed 28 people, including six directors, some of whom will now be transferred to other jobs in the group.

It ranked among the smallest of the primary dealers in gilts, with a market share of about 1 per cent. Sir Richard said it had been operating profitably at the trading level, but had failed to cover its overhead costs, which were high.

The TSB had indicated when it bid for Hill Samuel in October that it would sell off or close down its gilt-edged and equity market-making activities because they were not of interest.

Talks have also been going on to sell Hill Samuel's equity market-making arm, Wood Mackenzie. Although several buyers have expressed interest, Sir Richard said last night that no deal was imminent. These talks have also been hit by the upheavals in the markets.

In the 13 months since Big Bang, three institutions have now pulled out of the gilts market. The first was Lloyds Bank which withdrew in June, followed by the Royal Bank of Canada earlier this month.

Their departure leaves 24 institutions in the market. However, this number is expected to increase in the new year as the Bank of England approves new entrants, including Japanese securities houses.

Only four members of the market are believed to be operating at a profit.

Parkinson 'cool it' plea on electricity

BY MAURICE SAMUELSON

MR CECIL PARKINSON, the Energy Secretary, has told the leaders of Britain's electricity industry to stop publicly parading their differences over the way it should be privatised.

He also told them that the new financial targets for the next two year must be met by greater efficiency and that electricity prices must not go up by more than 8 to 9 per cent.

Mr Parkinson made his plea when he met Sir Philip Jones, chairman of the Electricity Council, on Tuesday, followed by a meeting yesterday with Lord Marshall, chairman of the Central Electricity Generating Board.

Their two organisations had previously been involved in a public tug-of-war over who should run the National Grid.

Mr Parkinson's "cool it" message had a sobering effect at yesterday's monthly meeting of the Council as Sir Philip, Lord Marshall and their senior aides conferred with the chairmen of the 12 area electricity boards in England and Wales.

In a special session on privatisation, the Council members agreed to respect each others' differences on such sensitive issues as who will control the National Grid and whether the Council will still have a raison d'etre after the industry is sold. "We tried to take a national viewpoint," an official said.

Earlier, the Council agreed that it would have to live within the targets set by the Government. It also decided that it would try to prevent the new targets from widening the gap between tariffs in different parts of the country. The sharpest increases in industrial tariffs had been expected in parts of the North West and Yorkshire.

But the Council was not ready to accept the 8 to 9 per cent rise in the price of wholesale power - the CEGB's Bulk Supply Tariff - which would raise the CEGB's proceeds from about £8.1bn a year to nearly £9bn.

Its doubts arose from a report on the structure of the BST commissioned by the Council from accountants Price Waterhouse. The report is understood to challenge the way in which the CEGB's purchases of cheaper tranches of coal are used to justify large-scale discounts for industrial consumers.

The CEGB, which disagrees with the Price Waterhouse arguments, was asked to carry out further work on the BST with a view to reaching a decision on next year's electricity price rises early in 1988.

Music strike looms over West End

By Jimmy Burns, Labour Staff

A STRIKE vote over pay by musicians employed in London theatres could disrupt several major West End productions during the Christmas period.

More than 250 musicians in more than a dozen musicals, including the Phantom of the Opera, Kiss me Kate, Follies and Cats, have voted by a majority of 2-1 for a strike unless management agrees to an improved pay offer.

The Society of West End Theatres, the employers' organisation, has offered to increase the minimum pay rate from £240 a week to nearly £300 over the next three years.

The Musicians Union wants the increase to be paid over a two-year period. It claims management can afford more immediate and generous payments because some shows are proving big box-office hits.

The society said yesterday that its initial offer was a fair one, however. The £240 minimum currently paid to musicians was double an actor's basic pay.

The package provides for a cash increase for all musicians while allowing those working in the more successful shows to negotiate additional payments with individual companies.

Halpern gets 35% pay rise to £1.36m

BY NIKKI TAIT

SIR RALPH HALPERN, the flamboyant chairman and chief executive of the Burton Group retail chain, yesterday headed back towards the top of the executive pay league, with news of a 35 per cent pay rise to £1.359m in 1987.

The figure was released along with Burton's annual results. The increase in Sir Ralph's salary, which consists principally of performance-related incentive payments, easily outstrips both the rise in the company's earnings per share over the year and shareholders' dividend growth.

At the pre-tax level, Burton reported 23.3 per cent improvement to £183.4m. However, earnings per share - on a fully-diluted, actual tax basis - rose by 16.1 per cent to 20.2p. The total dividend has gone up by 26 per cent.

Yesterday, Burton explained that although the performance remuneration scheme is normally based on increases in earnings per share, the current year pay figures also benefit from an index-linked "deferred compensation scheme."

The scheme, introduced in 1983, retains part of the directors' bonuses, and then pays out after four years of continuous service or if earnings per share double. Because earnings per share have doubled over the past three years, an accelerated element on this score has been triggered, in addition to the four-year payout.

Sir Ralph is not the only Burton director to benefit - the 12-man board, of whom nine (including Sir Ralph) are executive - sees total remuneration increase from £3.28m to £4.58m, of which all but £1m is performance related.

The Burton chief may not, however, regain number one spot in the UK pay league. A report by Charterhouse in October, gave top billing to Mr Christopher Heath, the managing director of Baring Securities - part of merchant banking group, Baring Brothers - with a pay and benefits package topping £2.5m.

The Burton chief's performance-related salary is quite separate from his extensive - and recently controversial - share options in Burton. The forthcoming annual report is likely to show that Sir Ralph has options over 2.775m shares.

Lex, page 24; Companies, page 30

Figures reveal sharp fall in industrial investment

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

INDUSTRIAL INVESTMENT appears to have fallen sharply in the three months to September, disappointing official hopes that the recent strong growth in output would quickly feed through into much higher capital spending.

The Department of Trade and Industry said yesterday that its provisional figures suggest that capital spending by manufacturing, construction, distribution and financial services companies fell by 5 per cent in the latest quarter compared with the previous three months.

Investment by manufacturing companies alone fell by 1.3 per cent from the the high levels seen in the second quarter of the year.

In Whitehall, officials pointed out that the investment figures were frequently erratic between quarters. In the manufacturing industry in particular, the fall in the latest period was probably a reflection of the unusually large rise between April and June.

The officials added that separate figures published yesterday which showed a sharp increase in stocks held by manufacturers, wholesalers and retailers provided further evidence of the recent strength of the economy.

Much of the stockbuilding during the three months to September appears to have reflected increased work in progress at manufacturing plants, suggesting that orders remain buoyant.

Over the first nine months of this year however, capital spending by the manufacturing industry grew by only 2.7 per cent, after falling by 5 per cent in 1986.

The latest figures suggest that the manufacturing industry may not yet be confident that the rapid pace of growth it has seen this year will be sustained.

The latest stock market crash could also damage the outlook for investment next year, although soundings taken by the Confederation of British Industry suggest that, as yet, companies are not scaling back their capital spending plans.

Mr Bryan Gould, Labour's industry spokesman, said that the figures showed that increased output was not going into building Britain's industrial strength. Capital spending was still lower than when Labour left office in 1979.

In spite of the sharp fall in the latest quarter, investment across all industries during the first nine months of the year was 6.5 per cent higher than a year earlier.

Measured in 1980 prices, investment by manufacturing companies stood at £1,897m in the three months to September compared with £1,922m in the previous three months. Across all spending amounted to £4,929m in the third quarter, down sharply from £5,190m in the three months to June.

Young says Rover may be given further aid

By John Griffiths

THE GOVERNMENT does not rule out provision of further financial aid, or writing off all or part of its £2.9bn equity in Rover Group, if this is seen as being necessary for the vehicle group's privatisation, Lord Young, Industry Secretary, said yesterday. "I literally have an open mind on it", he said.

He was commenting on:

- **Rover's announcement on Wednesday that it would make an operating profit before tax and interest for the first time since 1983.**
- **The possible impact of the announcement on privatisation efforts.**

Last year the Government injected £680m into Rover as part of the restructuring which allowed Leyland Vehicles to be put into a joint company with Daf.

Mr Graham Day, Rover chairman, has said he believes Rover Group can be privatised in this Parliament's life. The group mainly comprises Austin Rover cars and Land Rover companies, and minority holdings in hived-off companies.

Mr Day has promised to present his views on privatisation options by the middle of next year and Lord Young refused to be drawn on possible favoured options.

Lord Young said: "I will wait for Mr Day to tell me - even whether privatisation is feasible. I have no thoughts of my own on the subject at the moment."

Travel reservation organisation picks Swindon for base

Financial Times Reporter

THE TRAVEL-RESERVATION organisation Galileo Distribution Systems is to establish its world headquarters in Swindon, Wilts, and is expected to have more than 300 staff by mid-1989.

The organisation assembles Aer Lingus, Alitalia, British Airways, British Caledonian, KLM, Swissair, Tap Air Portugal, and Covia, the United Airlines subsidiary. They want to develop a unified approach to reservation and information systems for the travel industry in Europe.

Galileo has leased a 79,000 sq ft building at Windmill Hill, Swindon, a business park being developed by St Martin's Property, a subsidiary of the Kuwaiti Investment Office. In the same park it has pre-let another 160,000 sq ft building for a computer and energy centre, and taken an option on a further 80,000 sq ft of space.

Drivers Jonas, the surveyor that found the site, said all this represented one of the largest single leasing deals in the M4 corridor, which has become a focus for high-technology companies.

Mr Leo Van Wijk, chairman of Galileo's steering committee, said: "A single location gives us a unified organisation and enables us to use our resources in the most effective manner. This decision to have one common location also shows the cohesion between our partners."

Drivas Jonas investigated 100 locations in Europe, shortlisted eight and inspected four before Galileo chose Swindon.

Requirements included land and building availability; telecommunications; transport; the ability to draw from skilled local resources; and environmental and social considerations such as housing, cultural amenities and schooling.

More than 150 people are working on the development of Galileo's system at a temporary site in Amsterdam. The total will be more than 200 by the year's end. The move will be made over three months starting next January. Galileois expected to have more than 300 employees by mid-1989 when the core system is launched.

Foreign exchange intervention boosts October money supply

BY SIMON HOLBERTON

RECORD INTERVENTION in foreign exchange markets led to a rapid expansion in the money supply last month, but financial markets were encouraged by lower growth than expected in bank lending.

The Bank of England said yesterday that bank lending grew on a seasonally adjusted basis by £2.9bn in October compared with £4.3bn in September and an average monthly growth over the previous six months of £3.4bn.

Market analysts said the slower growth in bank lending was welcome and noted that the Banking Information Service, representing the clearing banks, had said loans to the personal sector had grown by the smallest amount since February.

It is too early, however, to identify a new trend from one month's figures. Lending is still growing strongly; the UK clearers' provision of housing finance in October was similar to that of previous months; and BIS analysts said the fall in consumer credit advances was normal in the period before Christmas.

The Bank said that sterling M3, the broad monetary aggregate, grew provisionally by 3.4 per cent, seasonally adjusted, in October and by 22.2 per cent over the year.

This fast expansion was attributable to three main factors: the large increase in official reserves in October; the Government's decision not to "sterilise" the effects of this increase in domestic money supply through gilt-edged sales; and the stock market turmoil, which was another factor causing the Bank of England to withdraw from selling large amounts of gilts.

Foreign exchange intervention boosted M3 by £2.9bn after sales of government securities to foreigners of about £750m.

The narrow monetary aggregate, M0 grew by 0.6 per cent in October on a provisional seasonally-adjusted basis, and by 5.5 per cent over the year. The Government's target range for M0 is for growth of between 2 per cent and 6 per cent.

City 'out of touch' with car makers

By John Griffiths

THE CITY is "out of touch" with the motor industry, showing little awareness of its recent recovery or of its needs, Sir Godfrey Messervy, president of the Society of Motor Manufacturers and Traders, said yesterday.

The former Lucas Industries chairman, speaking at a SMMT-organised conference, produced figures purporting to show that only 5 per cent of institutional investors claimed to know vehicle manufacturers very well, and only 31 per cent "fairly" well.

In spite of forecasts that UK car output will reach 1.5m a year before the end of the decade, compared with less than 1m a year in the early 1980s, Sir Godfrey said research conducted for the SMMT showed that even fewer institutions - about one in 14 - "had any sort of favourable attitudes towards the industry."

Sir Godfrey's complaints included high interest rates, the retention of the 10 per cent special car tax and the requirement to pay VAT on business cars.

Lord Young, Trade and Industry Minister, also speaking at the conference, praised the industry's performance but said the complaints were a matter for Mr Nigel Lawson, the Chancellor.

British Coal urged to be flexible on private mines

BY MAURICE SAMUELSON

THE GOVERNMENT wants British Coal to adopt a more flexible attitude towards the small private mining industry over which it has exercised control for the past 40 years.

In an important gesture to companies that extract coal reserves too small for British Coal's own operations, it has asked Sir Robert Haslam, chairman, to be more liberal in issuing licences to such operators.

If he fails to do so, ministers may consider whether the corporation is an appropriate authority for issuing licences and whether the ownership of the nation's coal, vested in it by the 1945 Labour Government, should be transferred to the Crown, as proposed last year by the Commons Select Committee for Energy.

Some private mining houses detect a more sympathetic government attitude towards them since Mr Cecil Parkinson replaced Mr Peter Walker as Energy Secretary. This has not been matched by any greater government sympathy for British Coal.

The Government is trying to encourage a more commercial attitude as the corporation strains to meet its 1988-89 target for balancing its accounts. It is suggested in Whitehall the corporation should switch to judging its performance in terms of profitability rather than against targets for cutting costs.

The Government's attitude is likely to be spelled out in a debate today in the Commons by Mr Michael Spicer, Energy Minister.

The Government is expected to reassert that it has no plans to privatise the coal industry and is also not contemplating legislation needed to raise the manning levels and output of private deep-mine and open-cast operators.

The former are restricted to having 30 men below ground at one time. Although they would like to be able to increase this, they still want a limit to protect them from the big international mining houses, which would then be able to move in.

Nissan wins car tax court battle

By Raymond Hughes, Law Courts Correspondent

NISSAN HAS won a court battle with the Customs and Excise over whether car tax is payable on a pickup truck manufactured by the company.

The Court of Appeal yesterday upheld a High Court judge's decision to quash a £170,078 tax claim in respect of 356 Nissan 1 Ton King Cab Pickups, marketed in the UK by Nissan (UK).

The case turned on whether the space behind the driver's seat in the Nissan pickup's cab was "accommodation" within the meaning of the 1983 Car Tax Act.

The act states that a vehicle is chargeable if there is "roofed accommodation which is fitted with side windows or constructed or adapted for the fitting of side windows" behind the driver's seat.

It was because there were windows on either side of the space, in addition to the door windows, that led the Customs and Excise to claim tax. But Lord Justice Lloyd said that the space in the Nissan pickup was intended to provide secure storage for equipment. It was agreed that it was not reasonably capable of accommodating people.

Overpaid VAT must be refunded, court rules

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A TAXPAYER'S right to get back VAT overpaid as a result of his having made an innocent error in his tax return does not depend on the "grace and favour" of the Customs and Excise Commissioners, a High Court judge ruled yesterday.

Mr Justice Simon Brown held that the taxpayer was not only entitled by law to a tax set-off but could also sue the commissioners in court for the balance of his claim.

The judge gave the commissioners leave to appeal against his decision in favour of Betterware Products, which had challenged a VAT assessment.

He said the case, which raised an important point about taxpayers' rights, turned on the language of the VAT return form, and in particular the boxes dealing with under- and over-declarations of tax made on previous returns.

The company contended that a taxpayer who stated and could prove in a later return that he had made over-declarations in earlier returns was entitled as a matter of law to take credit for such over-payments against the tax liability that would otherwise exist on the current return.

The commissioners argued that the taxpayer was not entitled to such credit, but rather must hope to receive it by their grace and favour. Failing that, he would have to issue a writ for money received, "with the all too real possibility that his claim will be met by a defence that the money is irrecoverable in law as money paid under a mistake of law," the judge said.

At the heart of the commissioners' case, he said, lay the proposition that it was entirely a matter for their discretion whether, once notified of errors, they relieved the taxpayer of any part of his liability.

If they chose, the commissioners contended, they might leave it to the taxpayer to sue them in the courts, reserving their right to raise defences which, said the judge, were clearly beyond the contemplation of parliament when envisaging the 1983 Value Added Tax Act.

The judge added that it was perfectly plain that the return form required previous errors to be declared so as to affect the amount of tax payable.

The commissioners' argument, he said, involved a taxpayer nevertheless exposing himself - at least until a change in the law in 1985 - to criminal liability, although he was faithfully doing what the return required of him.

Britain self-sufficient in oil 'far into the 1990s'

BY MAURICE SAMUELSON

THE GOVERNMENT yesterday rejected a claim by independent oil producers that Britain would again become a net importer of oil in four years and insisted it could remain self-sufficient in oil "well into the 1990s."

Mr Peter Morrison, minister responsible for the oil industry, based his confidence on the way the British oil industry had recovered from the effects of last year's oil price collapse.

Addressing a dinner of Brindex, the association of British independent exploration companies, he said offshore drilling was returning to levels seen before the price fall and that exploration and appraisal activity "bodes well for the next generation of oil and gas discoveries."

The discovery rate was being maintained and some recent announcements were interesting not only because of their size but also because they confirmed that hydrocarbons were present in geological formations which had previously attracted little attention.

He was already considering the timing and content of an eleventh round of offshore licensing and hoped to maintain the normal two-year cycle of offshore rounds.

The return of confidence, he said, was indicated in the way many operators had reassessed projects which had recently appeared uneconomic.

So far this year, the Government had approved 10 new development projects, onshore and offshore. A further 11 offshore and three onshore projects were under consideration, some at an advanced stage. He expected to see some further approvals this year and more early in 1988.

Christopher Parkes on the career of a versatile supermarket chief

Checking out for the last time

DURING HIS long career in food retailing, Mr James Gulliver has already taken two enforced "holidays," but he was never far from the checkout.

Leaving a transformed Fine Fare in 1972 after seven years, he undertook to keep away from retailing for 18 months. He moved into manufacturing.

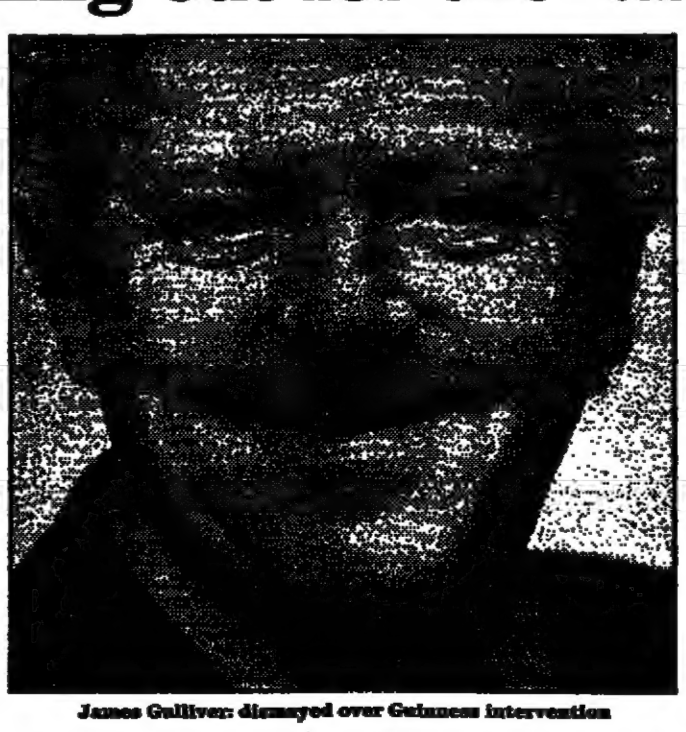
In 1976, having sold Oriel Foods to RCA, he was on vacation again, restricted by a similar covenant in his contract. Next time, the 12-month enforced break, which starts on his retirement next year, is likely to be permanent.

With only a few independent regional supermarket chains remaining, and the trade dominated by Argyll, Sainsbury, Tesco, Dee and Asda, there are too few building blocks left to construct another major group.

The denouement of the Argyll story - which has led to the end of Mr Gulliver's career as a grocer - began just over a year ago. Argyll was already a substantial force in the supermarkets business, although unbalanced by its concentration on the middle and lower ends of the market in mostly northern locations.

But Mr Gulliver had ambitions for growth, diversification and a break into international markets. Although Burberrys whisky and Montezuma tequila are not the best-known brands in the world, their presence in the Argyll portfolio and the chairman's Scottish origins might have offered a clue.

Although the energetic Mr Gulliver was much admired in the City, the strength of the establishment's patronage was greatly tested by his bid for Distillers in late 1985.



James Gulliver: dismayed over Guinness intervention

He could shrug off jibes about being a purveyor of beans and potatoes, but his credibility in the City had only recently been established and his experience in international marketing, the mainstay of Distillers business, was negligible.

Guinness's successful intervention in the bid left Mr Gulliver thwarted, dismayed and with little chance of finding a comparable vehicle with the power to carry him decisively into global liquor markets.

There was some compensation in the subsequent capture of Safeway, which finally fixed Argyll in the premier supermarkets league. But even as that takeover was being planned, Mr Gulliver was handing over his chief executive's role to food division chief Mr Alistair Grant.

Then came embarrassment and a further blow to the chairman's morale with the publication of his letter to Guinness, apparently proposing a friendly merger with the new owner of Distillers.

Mr Grant still blames "hasty drafting" for the upset, and shrugs it off as "a nine days wonder." But the City felt Mr Gulliver had gone out on a limb, and the solidarity of the triumvirate which had steered the group to the top was brought into question.

Although the chairman was believed still to dreams of buying or building a drinks business to take the group beyond the British Isles, its liquor interests were promptly sold.

The group is now too well founded and firmly entrenched in its chosen sector to be anything more than mildly stirred by Mr Gulliver's departure.

There is still plenty to be done. Consolidating and growing the Safeway chain and transferring its prestigious logo and style to Presto stores could take another couple of years, according to Mr Grant. Further acquisitions cannot be ruled out.

Sainsbury and Dee Corporation are already demonstrating that there are international food retailing opportunities through their moves into the US, Spain, and elsewhere. But Mr Gulliver seems not to have the heart for it.

"My ambitions were to develop a major force in UK grocery retailing and also to direct a major international consumer products business," he said yesterday in a prepared statement.

"My second aim...was thwarted when Distillers was acquired by Guinness."

And with that the grocer's son from Campbelltown, Argyllshire signalled a return closer to his roots. But not for a holiday.

Midland joins insurance broker in Bermuda move

BY ERIC SHORT

MIDLAND BANK has linked with insurance broker C. E. Heath to form a jointly-owned Bermuda-based company providing a range of financial insurance products for international companies.

Midland will own 59 per cent of the company and will have overall control of marketing, sales and investment management. C. E. Heath will provide the technical support and specialist administration services, including underwriting.

Financial insurance is a new development and little is provided by the London market.

Mr David Potter, director of Midland's global corporate banking, said the development reflected Midland's increasing involvement as banker to the insurance industry and its help in fulfilling the group's ambition to differentiate itself within the corporate banking sector.

Bermuda had been chosen for the venture, first because of the favourable tax situation and secondly because C. E. Heath had the necessary expertise in place with its Bermuda-based subsidiary, Pinnacle.

Jobless plans criticised

BY CHARLES LEADBEATER

THE Manpower Services Commission yesterday criticised the short timescale set by the Government for the commission to draft plans for a unified training scheme to provide 600,000 places for the adult unemployed.

The 10-strong commission is likely to warn Mr Norman Fowler, Employment Secretary, that if the scheme is set up too quickly it may run into the problems which have dogged the new Job Training Scheme since its launch this year.

The new JTS has a budget for 110,000 places but only 25,000 have been taken up. The Government expanded the scheme in spite of the commissioners' warnings that it would only succeed if expansion were slow.

The commission welcomed Mr Fowler's announcement on Tuesday of the plan to develop a unified scheme. However, trade union commissioners said they were concerned not enough resources had been made available to provide:

- High-quality training.
- A decent additional payment above benefit entitlements to attract people on to the scheme.

Royal Docks £750m plan passed

THE ENVIRONMENT Department yesterday removed the last barrier to the grant of planning permission for a £750m redevelopment scheme in the Royal Docks, east of the City of London.

Mr William Waldegrave, Housing and Planning Minister, announced that he would not intervene in the planning application

Industry 'may be penalised' by financial system

BY SIMON HOLBERTON

INDUSTRY HAS not been served well by the financial system in the UK and US, especially compared with Japan and to a lesser extent West Germany, a study released yesterday suggests.

A series of papers on corporate finance and investment, published by the Oxford Review of Economic Policy, indicates that the financial system can have an effect on industrial investment.

This view challenges the economic theory that, all things being equal, the financial system has no effect on real economic performance and financial systems do not exert any independent influence on corporate investment.

Professor Colin Mayer of the City University Business School argues that scepticism about this theory is warranted because in some countries, notably Japan and West Germany, banks accept a high degree of responsibility for corporate performance.

In the UK, industry generates nearly all of its investment needs from retained earnings and very little from equity or debt raisings, whereas in Japan and to a lesser extent West Germany the banking system provides far more finance and pursues a more active relationship with its industrial clients.

A study of the Japanese system by Ms Jenny Corbett, of St Anthony's College, Oxford, shows that not only do Japanese banks provide more of industry's investment needs, but that they are also interventionist in their clients' businesses, especially in periods of difficulty.

Although the data is imprecise, Japanese banks provide about 40 per cent of industry's net financing needs and they lend money for longer periods of time, she says. The banks will accept lower rates of interest on loans to troubled companies, although in good times Japanese companies will pay higher interest charges.

"The relationship which goes by the name debt in Japan appears to have the features of an equity relationship," she concludes.

In general, cultural factors appear to be as important as the impersonal "laws" of economics. Active shareholders seem to give short-term considerations far more importance in the Anglo-Saxon world than they do in Japan.

The Japanese bank/Japanese client-company relationship seems to be influenced by concepts of "saving face" - for a company this means not changing banks, and for a bank it means not withdrawing support from a company too hastily. A finely developed sense of obligation seems to have the result of ensuring mutual profitability in over the long run.

Corporate Finance and Investment, Oxford Review of Economic Policy, vol. 3, no. 4, Winter 1987. Single copy £16 (institutions), £8 (individuals); yearly subscription £50 (institutions), £25 (individuals).

Star of Japan to set up in Wales

By Anthony Moreton, Welsh Correspondent

STAR MICRONICS became the third Japanese company in a week to choose Wales as a production base when it said in Tokyo yesterday that it would open a £5m plant at Tredegar, Gwent, next spring.

The announcement was made in the presence of Mr Peter Walker, Welsh Secretary, who is leading a week-long investment mission to Japan.

It said Star, of Shizuoka, about 100 miles south-west of Tokyo, would make dot-matrix electronic printers for the European market.

The company expects to employ 186 staff when the plant is fully commissioned in about two years' time.

Star is the 17th Japanese company to set up in Wales, making the principality, according to Mr Walker, "Japan's favourite location for its European investment."

Last weekend Tsuda announced it would set up in Wrexham; on Tuesday, Onamba and Sumitomo unveiled a joint venture outside Cardiff.

The Welsh plant will be Star's first production centre outside the Far East.

LLOYD'S REGULATION DRAFT PROPOSAL BY ERIC SHORT

Second phase of reform is started

THE SECOND big reform in the operations of the Lloyd's insurance market started yesterday when the Council of Lloyd's published its draft proposals for the *regulation of Lloyd's brokers.*

The council is already well into the reform of the underwriting agency operations at Lloyd's - the other side of the insurance business, where many of the problems affecting Lloyd's in recent years have occurred.

All business coming into Lloyd's is through brokers, who as such are in a special situation. At present there are 265 Lloyd's brokers, of which about 15 per cent are owned by overseas proprietors, mostly US.

The Council of Lloyd's already imposes a considerable degree of regulation on those becoming and remaining a Lloyd's broker, There are checks on persons being fit and proper and the business conforming to certain financial requirements.

The new regulations, made in pusuance of conforming with the requirements of the 1982 Lloyd's Act, have three main essentials:

- To impose more stringent financial requirements, with the minimum capital requirement raised from £50,000 to £250,000 and the introduction of new margins for solvency and assets.
- In this respect Lloyd's has followed the pattern of capital adequacy laid down in the rules of the Securities and Investments Board.
- To highlight the importance of registration. All practising insurance brokers have to register under the 1977 Insurance Brokers' Registration Act. Lloyd's brokers are exempt from meeting most of the requirements of *this Act providing Lloyd's itself* imposes at least the equivalent requirements. In many respects Lloyd's has more stringent conditions.
- To introduce more comprehensive rules concerning the fit and proper requirements of persons who are or want to become Lloyd's brokers.

Lloyd's regards the fit and proper requirements as a central theme of regulation and has done for several years.

It accepts the 1977 IBRA requirements for expertise of individuals as brokers, namely an experience qualification practising as a broker or a mixture of examinations and experience.

Lloyd's has under review plans to develop the theme of examinations in both insurance and Lloyd's practices and operations for all persons operating in Lloyd's.

However, Lloyd's backs these individual requirements by visiting the offices of the broker, reviewing the activities within the offices and checking out expereince in all aspects of business to conform with Lloyd's insurance standards.

The emphasis is very much on the firm having adequate numbers of top personnel; a minimum of three persons is envisaged, with the emphasis on experience within the Lloyd's market.

On the subject of financial standards, the requirements first set out formalising basic *accounting and auditing* requirements, with auditors having to be approved by Lloyd's.

Then the regulations would impose margins for solvency and assets. Whereas, at present, current assets must exceed current liabilities and the solvency must be positive, now there are explict *margins laid down* based on size of firm and level of brokerage.

Brokers will be required to disclose a considerable amount of information to clients, including, if asked, the amount of commission received.

Brokers must also disclose to clients any intention to place *insurance with a connected* insurance company.

In addition, brokers must lodge with Lloyd's detials of connections with other insurance interests.

However, there is no intention of restricting in any way the ownership of a Lloyd's broker by overseas interests.

Finally, the document completes the regulation of Lloyd's brokers by drawing up a Code of Practice which would govern the way in which brokers deal with clients and handle their business.

In addition to disclosure of renumeration, the code covers documentation and accounting, the use of binding authorities and the broker's role in claims negotiations on behalf of clients.

In this latter connection of claims handling, the document points out that conflicts of interest *could arise and this will* require disclosure.

The document sets out more stringent requirements for umbrella arrangements - arrangements under which non-Lloyd's brokers may have access to Lloyd's underwriters.

This will only be permitted in respect of those firms which can demonstrate that it is their intention and they have the ability to become Lloyd's brokers themselves within three years..

The proposals were formulated by the Broker Regulation Committee under the chairmanship of Mr Alan Parry, a deputy chairman of Lloyd's.

Replies to these draft proposals are required by January 22, 1988 and it is hoped to finalise the Regulation and start registrations by March 1988.

Mr Parry pointed out that it was expected that a numnber of firms would not be able to meet the new requirements, mainly the small firms being unable to conform with the capital requirements.

The Lloyd's Brokers' Committee would give help and guidence to these firms, through restructuring and mergers in order to be able conform to the regulations.

Lloyd's Consultative Document - The Regulation of Lloyd's Brokers.

Biotech companies 'risk being exploited'

By Peter Marsh

MANY BIOTECHNOLOGY companies run the risk of being exploited by large overseas concerns with which they conclude research agreements, a lawyer specialising in biotechnology issues said yesterday.

Mr Julian Thurston, a partner in McKenna and Company, a firm of London solicitors, said that research-based enterprises should retain the commercial rights to their inventions when arranging deals with larger groups.

"The smaller companies often fail to get a proper agreement and instead do a deal quickly because they are desperate for cash," he said at a conference in London on legal issues concerned with biotechnology.

Mr Thurston said many companies which sponsored research at a smaller concern, impressed on the latter the need to take on the commercial rights to any inventions that resulted.

The company performing the research should, however, stand its ground, said Mr Thurston, and ensure that it had legal ownership to the "enabling technology" that was behind the work, offering if necessary to license this to the bigger concern at a later stage. Not adopting this approach could mean the small group losing out commercially.

Venture fund planned

BY CHARLES BATCHELOR

ROBSON RHODES, a medium-sized accountancy firm, plans to launch a £10m venture capital fund to provide early finance for small businesses.

This is believed to be the first time an accountancy firm has moved into such an area, although many have special small-companies divisions providing professional advice.

The fund, provisionally named the Robson Rhodes Early Stage Equity Fund, would provide companies with amounts of up to £300,000 to finance their early development. It may also provide start-up finance to a limited number of companies.

Mr Peter Croft, senior manager of the firm's newly-established venture capital division, said the aim was to fill the gap for small amounts of capital which are no longer provided by the larger venture capital funds.

Initial approaches have been made to institutions to see if they would be willing to back the fund but formal fundraising will not get under way until early next year. It would probably take three years for the fund to be fully invested, Mr Croft said.

Robson Rhodes plans to overcome the potential conflict of interests which might arise by asking prospective clients if they want its fund-raising or its professional services.

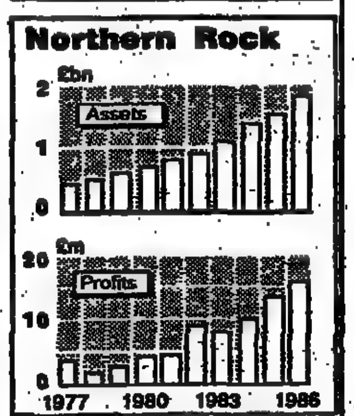
Anyone seeking funds would be directed to another firm for professional advice and a client seeking advice would be precluded from raising finance from the fund. No audit work would be carried out for small firms raising money through the fund.

Steady approach for Northern Rock

Ian Hamilton Fazey on the growth of a Newcastle-based building society

NORTHERN ROCK Building Society this week announced that its asset base had passed £2bn. This may seem small beer compared with Halifax's £28m and Abbey National's £23m, but as a financial institution Northern Rock is now bigger than the Co-op Bank (assets £1.5bn) and comparable to Yorkshire Bank (£2.1bn).

In a decade when other regionally-based building societies have been struggling against the giants and forced into mergers, Newcastle-based Northern Rock, which does 45 per cent of its lending in the north-east and 35 per cent in the south of England, has made determined efforts to keep its independence.



It has done so through a pursuit of growth and profitability, which have been thought of as irreconcilable goals in the highly competitive building society and savings industries. Last year Northern Rock topped the national league in net trading surplus per £100 of mean assets, despite achieving middle-order growth of more than 15 per cent.

It has also been controversial, negotiating with its defaulters in northern villages during the year-long miners' strike instead of foreclosing.

This attracted criticism from some Conservatives who saw it as neglect of a source of pressure to end the strike. But Northern Rock's argument was practical - there was no point in repossessing houses if there was no one else to sell them to.

Mr Kevin Southwood, general manager, says this stance added to goodwill in its Labour-dominated heartland where, because owner occupation averages only 55 per cent, there is a substantial long-term market for growth. He thinks people will have long memories about which building societies were the most understanding.

Northern Rock has built a cadre of about 30 senior managers, all in their 30s, led since 1981 by Mr Chris Sharp, the 48-year-old managing director. Chairman is Lord Ridley, brother of Mr Nicholas Ridley, the Environment Secretary.

The measure of Northern Rock's performance is the 252 per cent growth of its assets between 1979 and now. Reserves grew by more than 500 per cent to £101m during the period, so that the reserves ratio of 5 per cent is well up on the 3.5 per cent of eight years ago.

In terms of financial performance this has helped Northern Rock move from around 14th in the building societies' league table a decade ago to the top, or near it, in most categories now.

Larger societies might wish to acquire it to fill their own gaps in the north, but the society seems determined to reject them.

"The avowed intention of this society is to remain proud, independent and based in the north-east," Mr Southwood says.

When he compares its marketing style to that of big competitors, he says it is that of a manoeuvrable small gunship able to sail around supertankers.

Mr Southwood says: "If we had gone on as in the 1970s - as a small regional society no one thought could survive - we would not be here now. We have concentrated on marketing. The customer sees nothing of our asset base, only the service we offer."

The customer base is about 700,000 savers and 100,000 mortgagees, with 60 per cent of total savings in lump sums over £10,000 and 35 per cent in lumps of £20,000-plus, which says something about the inconspicuous affluence of many middle-aged, middle class Northerners.

Mr Southwood says: "Our general aim was one-stop shopping for the customer, and this saw us the first society with a combined buildings and contents insurance package, and the first to offer contents-only insurance, which in turn attracted more investors."

It is this emphasis on innovative customer-orientation in the High Street that has encouraged the management to set its next landmark targets - £3bn of assets within three years, and £165m of reserves.

UK NEWS - THE KING'S CROSS DISASTER

LRT staff cuts likely to figure in safety criticisms

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

CRITICISM OF London Underground's safety record was muted yesterday out of respect for the dead and a sense of shock at the enormity of the tragedy.

But critics are clearly shaping up for an attack on the authority and the Government over cuts in staffing levels as soon as the initial horror has passed.

The argument will centre on claims that London Regional Transport, which runs the underground, is more concerned with cutting staff costs than with quality - and safety - of service.

There will also be allegations that the system is close to breakdown because investment in equipment has not kept pace with a boom in passenger numbers.

The critics say the underground is a victim both of its own success and of government unwillingness to countenance investment in public transport infrastructure.

The number of staff running the underground has fallen by more than 3,000 over the last five years, and by nearly 1,000 in the last 12 months.

Over the same period, passenger journeys were up from 498m to 769m, and passenger miles travelled - the best indicator of traffic using the system - from 2,270m to 3,862m.

The rise in the number of passengers reflects an increase in commuters caused by the Big Bang and the underground's success in marketing its Travelcard season tickets.

Revenue from passengers has been rising rapidly - from £350.6m in 1985/86 to £369.8m last year - and is expected to show a further rise this year.

At the same time, the cost of running the railway has been falling as management has pursued cuts in unit costs. Operating expenditure is down from a peak of £345m in 1984/85 to £319.6m last year.

The aim is to reduce the underground's operating loss, and therefore the revenue support required from the Government and London ratepayers.

Revenue subsidies have fallen by £84m a year since the authority was removed from the control of the Greater London Council in 1984 and taken under the Government's wing. Most of the benefit has gone to London ratepayers, who provide two-thirds of the subsidy through a special levy.

The five underground lines at King's Cross handle around 250,000 passengers a day, and the station was recently identified by LRT as a "pinch point" where passenger congestion demanded urgent attention.

But London Underground was quick to defend its safety record yesterday, and to deny that the pursuit of lower costs had any connection with the accident.

Dr Tony Ridley, chairman, who is a former chief executive of the Hong Kong and Tyne and Wear metro systems, said safety standards on the underground were as high as anywhere in the world.

"I don't believe that staffing levels had anything to do with the fire, but we will look at procedures and staffing numbers; we will ask all the questions that are necesary," he said.

"Until we know how the staff acted, precisely, we will be totally unable to say whether additional numbers could have been of any assistance. I personally doubt it," he added.

Dr Ridley also said station staff received adequate and frequent training in how to react to serious incidents underground.

Most of the criticism of the underground came from trade union representatives, who have camapigned hard against job losses.

Mr Alan Norman, the LRT divisional officer of the National Union of Railwaymen, said there had been major cuts in staffing at King's Cross, and claimed disaster training was minimal.

"The staff did everything they possibly could. But as regards training, the representatives (at King's Cross) tell me they are far from happy," he said.

"One representative told me this morning that in dealing with fires there is only a very small amount of training ... a matter of only one hour's training, and that is dealing with very small fires using an extinguisher - nothing like the terrible disaster that happened last night."

Mr Norman said London Underground intended to reduce the station workforce by a further 1,200 people. "This causes all sorts of worries. Some of this is covered by automation, but ticket machines do not help passengers," he said.

Mr Ken Cameron, general secretary of the Fire Brigades Union, said cuts in Fire Brigade manpower meant there were not enough staff to make proper checks of the underground.

This was denied by the Home Office, which said: "Staffing levels proposed by the London Fire Brigade were agreed by the Home Secretary, who was satisfied that there is an adequate standard of fire cover."

London Underground was accused by the author of a safety report of failing to take sufficient action following warnings that the system was a potential fire trap.

The report was written for the London Passenger Transport Review Group by Mr Jonathan Roberts after a fire at Oxford Circus in 1984, when passengers were kept in stationary trains for two hours, although no-one was killed.

Mr Roberts recommended the installation of smoke detectors, sprinklers in storage areas, alarm bells, illuminated emergency exit signs and fire doors, as well as evacuation procedures and better training for staff.

Asked whether the tragedy could have been prevented if his report had been acted on, he said: "I think casualties might have been less, but the incident itself might indeed still have arisen."

How the emergency services coped

By Richard Evans

LONDON'S emergency services were alerted at 7.36pm on Wednesday evening to the disaster when the London Fire Brigade received the first call that fire and smoke had been seen below an escalator linking the Northern and Piccadilly Underground lines with the main ticket hall at King's Cross.

All the indications yesterday were that the emergency procedures laid down for the fire brigade, ambulance service, Metropolitan Police and the designated hospitals then worked exceptionally well. The courage of the firefighters came in for particular praise from eyewitnesses.

The first fire engine, with four pumps, was on the scene at 7.42pm, followed within minutes by another three engines. At the height of the blaze there were 20 appliances and more than 150 firefighters there, mostly from central, north and north-east London.

The nearest fire station to King's Cross is Euston, just 200 yards away, but as they had been called to a fire at University College Hospital, the first to arrive was from Soho.

Mr Joe Kennedy, assistant chief fire officer, said: "Our people took a calculated risk. Three men went down without breathing apparatus because they were more concerned to rescue the public than they were for their own safety...there is no doubt at all that they must have been through hell."

As soon as it was established that there were casualties, the first ambulance was called. It arrived at 7.47pm.

A further eight were on the scene within half an hour and 14 were involved in all.

Among the first ambulances were two from Bloomsbury, manned by two-man crews who had begun full-time work just two days earlier after an 18-month period of training.

The "rookie" crews found themselves trying to resuscitate the injured in appalling conditions, working in total darkness with patients lying on top of water hoses.

The ambulances were controlled centrally by radio from headquarters at Waterloo, and there was an emergency control vehicle at King's Cross, with four senior officers.

Eleven of the injured were taken to University College Hospital. Three were discharged after treatment. Another 10 were taken to St Bartholomew's Hospital and one to Whittington Hospital in north London. The 30 dead were taken either to hospital or to an emergency mortuary set up in a church hall near King's Cross.

All the designated hospitals invoked an elaborate emergency procedure designed to ensure that staff can cope with a large influx of patients all at once.

The switchboards, alerted by the ambulance service, contacted key personnel, including the senior consultant, senior nurse and hospital administrator, who then directed operations.

At Barts, all staff were issued with written instructions to make certain that everyone knew their exact role.

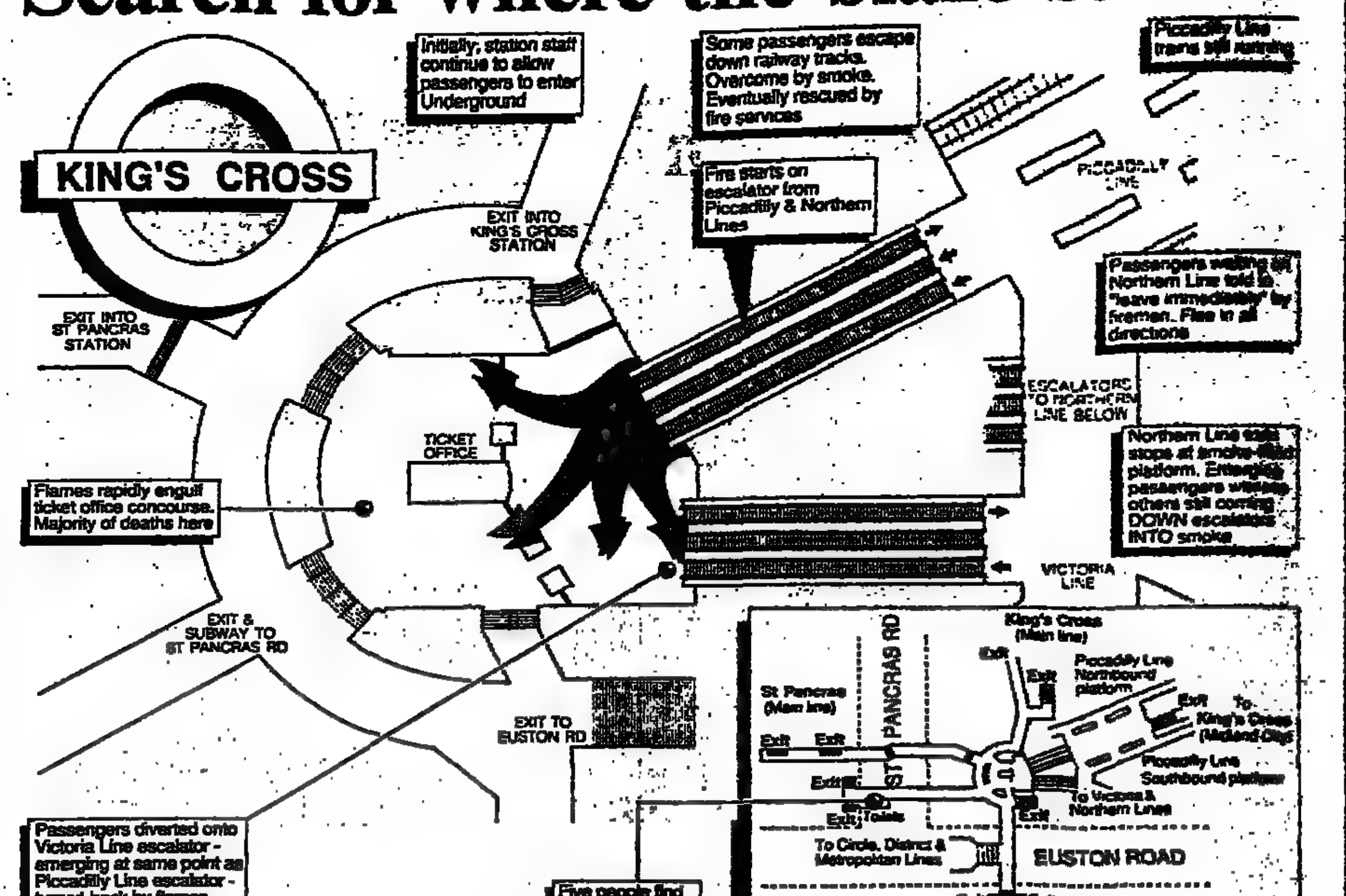
Much of the detail was developed from experience gained from previous disasters, including the terrorist bomb in Regent's Park.

The Metropolitan Police were involved largely in an advisory capacity, as the main responsibility lay with the British Transport Police. But the Met nevertheless played a key support role because of their greater experience and resources.

Road blocks were quickly set up around King's Cross to make sure that emergency services could get through and a casualty bureau was set up to deal with the avalanche of calls from friends and relatives of passengers.

Kevin Brown on the questions raised by the Underground tragedy

Search for where the blaze started



THERE WERE many questions and few answers last night about how the fire started and why it spread with such horrifying speed.

Initial reports indicated that a machinery spark might have set fire to rubbish piled below a wooden escalator. It emerged later, however, that there was little rubbish in the area, and the escalator was constructed largely of metal.

Investigations were still going on last night, but the London Fire Brigade said the fire appeared to have started on the surface of the escalator rather than below it.

That appeared to raise the possibility that the blaze was caused by a cigarette smoked in defiance of the ban on smoking on the London Underground, introduced after a fire at Oxford Circus station three years ago.

But Mr Michael Doherty, deputy chief officer of the London Fire Brigade, said it was unlikely that the wooden slats had been set on fire by a cigarette.

There was no official indication of whether a fault might have occurred in wiring or communications equipment in the roof of the escalator shaft.

Mr Joe Kennedy, assistant chief officer of the Fire Brigade, said: "We want to carry out a most thorough investigation before we make any assumption on the cause of the fire."

Mr Bill Clarke, London Underground's operations manager, said: "One of my staff spotted smoke coming from an escalator, and although the full emergency plan was put into operation we were simply not prepared for the fire that followed."

Mr Clarke described the blaze as "a fireball," but said he had no clues as to the cause of the fire or the reason for its rapid spread.

He said there was no truth in suggestions that the wooden slats on the escalator were unsafe.

"I have examined the escalators today and the wood is only very slightly charred. After all, they have been in existence for 50 years and never caused any problems," he said.

London Underground said it was in the process of replacing some of the the older escalators, but insisted that that was "because they are old rather than because they are wooden."

Escalator fires a recent phenomenon

BY LYNTON McLAIN

LONDON UNDERGROUND has suffered 18 significant fires on its network this century, but escalator fires are a recent phenomenon.

The previous worst disaster on the Tube, which did not involve fire, was in 1975 at Moorgate when 43 people were killed after a train ran into the end of a tunnel. The exact cause was never established.

The most common type of fire on the underground, accounting for eight this century, has occurred on station platforms and on rail tracks as a result of electric sparking and faults in cabling.

The second most common type of fire, with six incidents, has been on trains and in railway carriages.

The first recorded fire on an Underground escalator this century happened as recently as January 1985, 122 years after the start of the network, the world's first underground system.

The blaze occurred on an escalator on the Piccadilly Line at Green Park station. Passengers were affected by smoke, but no one was admitted to hospital and there were no fatalities.

The second recorded fire on an escalator was at Holborn Tube station in December 1985. There were no casualties, but the station was closed for a period.

The third such fire was on the escalator leading down to the Victoria line at Victoria station, in July 1986. Smouldering was spotted, but there were no casualties.

London Underground said yesterday it did not know whether the fire on Wednesday evening started on the escalator serving the Piccadilly and Northern lines at King's Cross, but that is where it was first spotted.

The first recorded blaze on the London Underground was in 1905, with a fire on an electric locomotive. No one was injured.

The greatest number of casualties from fire was recorded in November 1920, when there was severe electrical arcing on a train between Piccadilly Circus and Oxford Circus on the Bakerloo Line. There were no serious injuries, but 150 people suffered from the effects of smoke and fumes.

The highest number of fatalities from fire on the Underground until Wednesday evening's disaster - three deaths - was in December 1985 as a result of a fire caused by electric arcing which led to a collision at Northwood station on the Metropolitan Line.

A large fire at Oxford Circus station in November 1984 was traced to a workmen's area between the Victoria and Bakerloo lines. The fire spread to the Victoria platform. Fourteen people were taken to hospital, with four detained.

Accidents on the world's metro systems

Our Foreign Staff report on how London Underground's safety record compares with subway systems in other world cities

OF THE WORLD'S subway systems, **New York's** has the most dramatic reputation.

The network suffered a plague of fires in the early 1980s in its fleet of old and poorly maintained subway cars. During one memorable evening rush hour in 1984 there were six major fires but no resulting deaths.

Investment of $8bn in subway cars, track, signals and stations over the past five years has brought big improvements in the system. None the less, 133 people have died so far this year in the subway - three in accidents and the rest in suicides, assaults and of natural causes.

Many of Europe's metros, such as those in West Germany, are of recent origin, and have a virtually accident-free past. Those built in cities of post-war construction are often overground for much of their length, such as the **Bonn** subway.

Brussels Metro system, was built in the late 1960s, has a good safety record and according to officials conforms to the best international design standards. Its passages are generally wide and short and the materials used in its construction do not give off toxic fumes when exposed to heat.

"It is really inconceivable that what happened in London could happen here," an official said last night.

Rome's underground system is relatively modern, but rudimentary. The first line was opened in 1960, running 16km, and another line began to function in 1961. The system has never suffered a serious accident. A modern smoke-detector system is employed with an automatic alarm system.

Of the older subways, the **Paris** metro has had its share of minor accidents, but few disasters. The last fatal accidents took place in 1981, when within three weeks there were two collisions between trains, each of which caused one death.

The worst Metro disaster took place on August 10, 1903, when a short circuit on an underground train led to a fire that caused 83 deaths.

Only hours after the London blaze, Parisian firemen carried out a drill for evacuating passengers from a major fire in the Metro. Under the Paris system, once smoke is detected in the underground, power is automatically cut off to prevent a fire spreading.

Madrid's metro system has suffered two escalator fires in the past few years, but without serious consequences. Since a series of accidents in the late 1970s, when the metro was in private hands, the safety record has improved. Apart from one collision in which several passengers were injured, neither Madrid nor the Barcelona network has had a serious accident in recent years.

The last disaster in **Berlin's** transport system was in 1908 when two trains collided as a result of human error and 19 persons died.

The West Berlin transport authority said every station had two water hose outlets to combat a fire in its early stages. These however have insufficient water pressure for a major fire which would be fought by fire trucks using high pressure pumps.

The subway systems in Eastern Europe are all of recent origin except for one line in **Budapest** which was built in the 1890s. There have been no reports of serious mishaps.

Tokyo underground system has suffered only two serious fires in the last 25 years, both in 1968, according to unofficial information supplied by the Japanese embassy. Neither caused fatalities, though a fire in the underground in the city of Nagoya in 1983 did.

The extensive Tokyo system, legendary for its heavy passenger load, is much newer than London's.

Cairo's metro, which opened in September, has been doing brisk business, although it has made little impact on the city's traffic problem. The metro has been operating relatively smoothly, although some Egyptians have had difficulty with the automatic exit and entry points.

Calcutta is India's only underground railway system. There has not been a major accident since it was partially opened two years ago, despite fears that shortage of electric power, overcrowding, and other inefficiencies and problems would make it one of the most accident-prone in the world.

Seoul subway, the world's seventh largest subway system, is for travellers a pleasant experience which is noticeably less dangerous than taking the bus.

Prime Minister promises public inquiry will be held

BY LYNTON McLAIN

PUBLIC INQUIRIES are usually announced by secretaries of state, so it was unusual for Mrs Margaret Thatcher, the Prime Minister, to tell MPs yesterday afternoon that Mr Paul Channon, the Transport Secretary, would be announcing a public inquiry into the King's Cross disaster later in the day.

Public inquiries are held only into the most serious incidents. The most recent was that held earlier this year into the sinking of the Herald of Free Enterprise car ferry. That inquiry was headed by a judge, Mr Justice Sheen, as was the inquiry into the Bradford football club fire, but a Queen's Council may also be appointed to conduct proceedings.

Mr Channon said in the Commons that a formal investigation would be carried out into the King's Cross disaster under the provisions of the Railway Acts, with evidence to be heard in public.

He is to have talks with the Lord Chancellor to discuss who will head the inquiry. The person selected is likely to be a senior lawyer.

Mr Channon said the inquiry would be assisted by a member of the transport department's Railway Inspectorate and by an expert in fires and fire prevention. "It will be for the inquiry to establish the causes of the disaster and to make recommendations to ensure that all possible lessons are learned. Their report will be published, he said.

"London Regional Transport, in collaboration with the police and fire services, are already examining the causes of the accident and their findings will be made available to me and to the formal investigation," Mr Channon added.

London Regional Transport said yesterday that there were normally two kinds of inquiry into incidents on the underground, depending on their gravity. Internal inquiries by London Underground are conducted by teams of their own experts. More serious incidents are usually the subject of Department of Transport inquiries, as into the Oxford Circus station fire in November 1984, or public inquiries.

The London Underground operations department co-ordinates the implementation of inquiries' recommendations.

Mrs Thatcher visits the damaged station

Cost of claims may run to millions

BY RALPH ATKINS

VICTIMS OF the King's Cross Tube disaster could make claims running into millions of pounds against London Transport.

As the final death toll and list of injured were being calculated last night, lawyers were preparing to begin the task of measuring the cost of human suffering.

If London Transport is proved negligent or accepts liability, claims might be submitted by all the injured and dependants of the 30 dead.

Victims will be able to claim for loss of earnings and for pain and suffering.

London Regional Transport said last night it was not for the time being admitting liability, but that it was fully covered by insurance for claims arising from death or personal injury. It said that "major compensation payments" had been made after the Moorgate disaster in 1975.

The Law Society, which represents about 85 per cent of solicitors in England and Wales, yesterday opened a hotline for victims seeking advice.

It will link in with the society's Accident Legal Advice Service, which it launched in June.

The service offers accident victims a free initial interview with a solicitor who will advise on the chances of a personal compensation claim succeeding.

After the King's Cross disaster, the scheme is to be extended to cover loss of property.

Compared with legal action for claims arising from the Zeebrugge ferry disaster in March, the King's Cross disaster should be relatively straightforward. Zeebrugge was complicated because the accident took place off shore and involved Belgian as well as UK law.

However, the Law Society yesterday warned of agents who, after Zeebrugge, had offered to pursue claims against the company for a share of any compensation payout. It urged all victims to contact a solicitor participating in its scheme.

"About 70 per cent of accident victims do absolutely nothing about it. Some of them can be extremely badly off in a variety of ways and simply be afraid of asking for advice," the society said.

All victims of the King's Cross fire will be entitled to submit claims for personal injury or for pain and suffering. Dependants are also able to claim for the loss of a wage earner.

Claimants are likely to argue that London Transport has a duty of care from when passengers enter the Tube station to leaving at the other end.

Alternatively it could be shown to be negligent if it had broken statutory regulations or failed to follow the advice of fire prevention officers.

The amount paid out will probably vary from £1,000 for a simple broken bone to perhaps £20,000 for multiple injuries or permanent scars. But claims might reach up to £500,000 for the loss of a wage earner.

The time and place of the accident suggest that many of the victims were commuters with high salaries and dependent families - which would increase the total claim. There might also be claims for valuable documents and possessions lost by travellers.

The Law Society's hotline telephone number is 01-242 1222 ext 469. Open 9.15am to 5.15pm.

Doubts over Channel tunnel safety likely to revive

BY ANDREW TAYLOR

THE TRAGIC events at King's Cross are likely to revive safety arguments over the Channel tunnel, which opponents have dubbed as "potentially the longest crematorium in the world."

Attacks on the safety of the tunnel by ferry operators faltered when the Herald of Free Enterprise capsized in Zeebrugge harbour in March with the loss of 188 lives. Ferry companies, with their own safety procedures under scrutiny, have found it much more difficult to attack the tunnel, which they claim represents a serious fire hazard.

At the heart of the anti-tunnel criticisms are plans by Eurotunnel, the Anglo-French operator, to allow passengers to travel in the same rail shuttle wagons as their vehicles.

Opponents argue that a fire would spread quickly from wagon to wagon as petrol-laden vehicles caught alight. Gangways would be too narrow in carriages containing both cars and passengers to allow people to escape easily.

A disaster would be unavoidable, they say. Hundreds of people would be killed as toxic fumes and dense smoke spread through the carriages and into the tunnel.

The images are highly emotive, even more so after Wednesday night's fire. But are these exaggerated complaints by opponents who have much to gain by impeding the project, or genuine concerns that should worry potential investors and users of the tunnel?

Underground fires, as shown by the King's Cross disaster, are notoriously difficult to cope with. Smoke, toxic fumes and the intense heat that often accompanies underground fires build up in the confined environment.

Mr Ken Palmer, head of the Government's Fire Research Station at Borehamwood in Hertfordshire, says a fire composed of rubbish, three metres in diameter - "not more than a moderate-sized bonfire" - could, if confined underground, generate as much as 5,000 kilowatts. That would be enough to power a small village.

"In most cases, however, death is caused by inhalation of smoke and toxic fumes, particularly carbon monoxide, which is produced by burning a large range of common items made out of wood, rubber, paper, cotton, most plastics and petrol," says Mr Palmer.

The research station has already carried out exploratory work for Eurotunnel, examining matters such as the way in which fire and smoke might spread between cars and railway carriages, as well as possible escape times for passengers caught by a fire in a carriage.

Eurotunnel says it intends to incorporate fire curtains in every carriage. They will be required to contain flames and toxic fumes and stop them spreading for at least 30 minutes.

Individual carriages will be capable of being automatically uncoupled to separate a fire from the rest of the train. Electric locomotives at both ends of every train will allow passengers to be pulled to safety in either direction.

Three tunnels are to be built under the Channel. Walkways will run the full length of the tunnels and will be connected at regular intervals to provide easily accessible escape routes. Smoking, as on the London Underground, will be banned.

Staff will travel on trains to ensure that fire prevention rules are not broken. They will be fully trained and on hand immediately to assist in emergencies.

The safety of Eurotunnel's designs and operating systems is to be tested by a joint British and French government safety authority before the railway can start carrying passengers and freight.

The Borehamwood Fire Research Station says the technology exists to provide Eurotunnel with the kind of fire curtains, safety devices and procedures it wants.

"Much will depend on how Eurotunnel incorporates these plans into its designs and operating systems and what impact this might have on costs and for a smooth-running, efficient service," says the research station. It is likely to be asked to make a technical assessment of the proposals before the safety authority gives the final go-ahead.

Who could forget the winter of 1987? The same people who forgot the winter of 1986.

The Arctic winter of January 1987 arrived without warning.

And because no-one saw it coming, few made preparations.

This in spite of lessons learnt the hard way in previous hard winters (1986 for instance).

Nowhere was this more damaging than in the transport business, where everybody knows that ordinary diesel fuel 'freezes' in cold weather.

Thousands of truck drivers who'd innocently filled up with ordinary diesel fuel suddenly found themselves going nowhere fast.

When ordinary fuel starts to 'wax up' at just below 0°C (known as the Cloud Point), anxious eyes follow the thermometer's every movement.

At around −9°C, the wax particles are large enough to block a diesel engine's fuel filter.

(Politely known as the CFPP or 'Cold Filter Plugging Point', although more often referred to in terms which don't belong in advertisements.)

That's when the lorry comes to a grinding halt. Then, out come the blowlamps and hairdriers.

Hardly a safe or efficient solution, not to mention an extremely unpleasant one for the driver.

Thankfully, desperate measures like these won't be necessary this winter.

Because Mobil have produced a new diesel fuel which makes them as outdated as the starting handle.

The British Standard for all winter quality diesel fuel specifies a Cold Filter Plugging Point of −9°C.

Last year Mobil led the way by bringing this down to −15°C.

But even that wasn't enough to keep every truck moving.

So this season we have produced an improved version of our winter quality Mobil Diesel Plus.

With a Cloud Point of −5°C and CFPP of −18°C, it's more resistant to cold than ever.

And while we don't suffer such extremes of cold every day, getting it wrong just once is once too often. (As anyone who was stranded last winter will confirm.)

But what about winter additives?

Can't they bring ordinary diesel fuel up (or rather down) to the same standard as Mobil Diesel Plus?

In a word, no.

The performance of Mobil Diesel Plus is determined not just by additives, but at the refining stage. Indeed, it is quite impossible to lower the Cloud Point in any other way.

No amount of extra 'packages' will have the same effect.

And after all the hassle of adding them to your storage tank, there's no guarantee that they'll mix properly.

In their place, you can get the most convenient, consistently reliable protection against the consistently unreliable British climate.

Even when it's not freezing cold, you'll benefit by changing to Mobil Diesel Plus.

The unique detergency of our fuel keeps injectors cleaner.

(It will even clean up injectors coated with deposits left by other, less advanced diesel fuels.)

By keeping injectors clean it also burns more efficiently.

And if all this sounds good in theory, it's even better in practice.

Our tests prove that engines running on Mobil produce significantly less exhaust smoke.

An improvement which will be appreciated not only by other road users, but also by your accountants.

It will show up just as clearly on

the annual balance sheet because cleaner-running engines use less fuel.

In another test involving many different types of vehicle over a total distance of over 2 million miles, Mobil Diesel Plus was shown to improve fuel economy by an average of 4%.

That's a huge potential saving when spread over a large fleet.

What do all these benefits add up to? The complete, all weather diesel fuel.

But for the moment, your most pressing concern is preparing for the winter that is almost upon us.

Will it be another winter you would rather forget? We're doing all we can to make sure it won't be.

Because as we at Mobil well know, when an engine dies so can your business.

Mobil

Mobil Diesel Plus. Runs cleaner. Runs colder.

UK NEWS - PARLIAMENT and POLITICS

House to debate TV issue in new year

By Michael Cassell, Political Correspondent

THE House of Commons is expected to stage a debate early in the new year on the televising of its business.

Mr John Wakeham, the Leader of the Commons, told MPs that he expected a debate on the issue to be held soon after MPs returned from the Christmas recess. There will be a free vote and a motion calling for an experimental period of televising the Commons is expected to be introduced via a private member's motion.

If MPs decide to go ahead, a select committee will be set up to establish the terms and conditions surrounding the experiment, which could mean several months' delay.

The last time the issue was debated in the Commons, in November 1985 there was a very narrow majority against the televising of business.

On the last occasion, Mrs Thatcher voted against the proposal and last week Mr Archie Hamilton, the Tory MP for Epsom and Ewell and the Prime Minister's parliamentary private secretary, came out against the use of cameras in the Commons. This is being taken as confirmation that Mrs Thatcher has not changed her view.

● Staff cuts claim adds to concern over what led to King's Cross disaster

Channon pledge on comprehensive inquiry

BY IVOR OWEN

ALL FACTORS that could have contributed to the disastrous fire at King's Cross station, including the effect of recent staff cuts made by London Regional Transport, will be considered by the inquiry to be conducted by a leading barrister, **Mr Paul Channon**, the Transport Secretary, assured the Commons yesterday.

While he strongly urged that there should be no "snap judgments" in advance of its findings, a series of points raised by **Mr Frank Dobson**, the Labour MP whose Holborn and St Pancras constituency includes the station, clearly added to the concern in all quarters of the House.

He said: "Cuts had been made in the staff maintaining the escalators and further cuts were proposed."

Even though there were eight platforms and a "veritable rabbit warren" of tunnels, staff at the station had been cut from 16 to 10, and the number of cleaners reduced from 14 to two, he said.

Training for staff in dealing with fires lasted for only 30 minutes and was not specific to the station where they were employed, and none of them was taught how to handle a situation requiring an evacuation.

The chairman of London Regional Transport had stated that "too much risk has been accepted in the interests of economy".

Mr Dobson also pressed the minister to tell the management of British Rail not to carry out its threat of disciplinary action against members of its staff who, before the disaster on Wednesday, had distributed leaflets stating that part of the Underground system between King's Cross and Moorgate was a fire danger.

A further protest about staff reductions was made by **Mr Harry Cohen** (Lab, Leyton) who accused the LRT board of "criminal negligence".

Mr Channon said he had been assured by the fire and health authorities that they were "more than satisfied" with the resources available to them.

Joining with the **Mrs Margaret Thatcher**, the Prime Minister, in all-party tributes to the emergency services, he said they had operated with "astonishing efficiency".

Mr Channon emphasised that London Regional Transport had a prime and statutory duty to operate the Underground safely, and records showed that, both overground and underground, rail was the safest form of travel.

The cause of the disaster at King's Cross and all the circumstances surrounding it would be investigated by the inquiry, which would take evidence in public. Its report would include recommendations designed to prevent any recurrence.

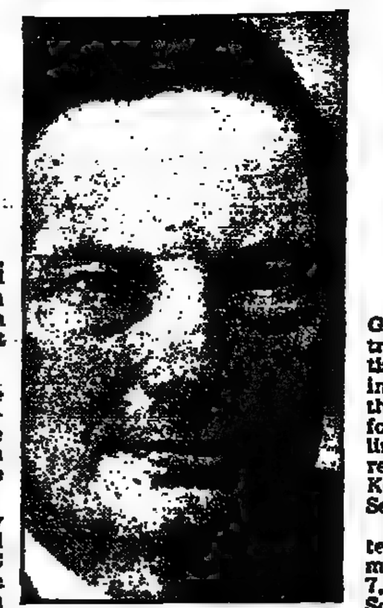
Mr Channon told the House that safety should be a "paramount consideration" when staff levels were determined, and disclosed that the annual inspection of King's Cross station by the London Fire Brigade took place last April.

Replying to **Mr Robert Hughes**, Labour's shadow Transport Minister, he said the report on an earlier fire at Oxford Circus Underground station had led to a "whole list" of recommendations being implemented.

Mr Terry Fields (Lab, Broadgreen), a fireman for 26 years before entering the Commons, claimed that maps which would have been of vital assistance in the rescue operation had been "locked away in the ticket office".

Mr Channon answered: "There is directly contradictory evidence about the maps and I have asked the chairman of London Regional Transport to investigate urgently."

Questioned by **Sir Geoffrey Finsberg** (C, Hampstead and Highgate) about a report on BBC radio early yesterday that the fire had been caused by rubbish under an escalator being ignited, Mr Channon said: "It is impossible at this stage to make any informed judgment as to the cause of this accident and it is very irresponsible to make any attempt to do so."



Paul Channon: cautioned MPs against making 'snap judgments' about the cause of the King's Cross station fire. He was faced by a series of questions on staff reductions at the station

Labour aims to raise level of cash aid

LABOUR is to stage a debate in the Commons next Thursday which will pave the way for an increase in the amount of government cash provided towards the cost of running the parliamentary party's operations.

Under a formula agreed in 1985, all opposition parties receive financial assistance to run their Westminster offices in relation to the number of seats and votes they win during a general election.

Following Labour's increased representation in the Commons since the June general election, it is seeking an increase in the £450,000-a-year ceiling to the £490,000 limit permissible under the agreed formula.

The money is directed towards helping run the Labour leader's office, although the bulk goes to financing research support for the shadow Cabinet and for the parliamentary party's secretariat.

There have been calls from within the Labour Party that the formula for fixing levels of financial help should itself be reviewed, with a view to making more generous help available, although the issue does not appear to be a priority

Committee arguments near end

By Our Political Correspondent

FINAL agreement on the composition of the 14 departmental Commons select committees appears to be near, after weeks of negotiations within and between the political parties represented at Westminster.

The select committees have not been able to sit since the new parliament began because of arguments among MPs over their size and composition, although some have continued to operate informally.

The original nominations for membership put forward by the Commons committee of selection, provoked a large number of amendments. But negotiations between party business managers have resulted in agreement on the proposed membership of the committees, which will come before the Commons for approval next week.

If an MP objects to the composition of any of the committees, the Commons will have to debate the issue, probably in two weeks. Last night, however, hope was being expressed by government whips that a debate might not be necessary. A minister said there was a reasonable chance the issue would not take up valuable Commons time.

Ministerial hopes of an easy path for the selection committee's recommendations could be dashed by the Scottish Nationalists, who are angry that they have not won any representation on the Scottish Affairs committee.

The biggest outstanding problem has been in agreeing membership of the Scottish committee, which has created embarrassment for the Government, given its weak parliamentary representation in Scotland. Under the committee of selection's recommendations, the size of the committee has been reduced from 13 to nine, to include five Tory MPs, three Labour MPs and one Liberal.

Membership of the important defence committee is also contentious with a move to reject Mr John Cartwright, the SDP MP for Woolwich, and replace him with Mr Ken Maginnis, the OUP member for Fermanagh and South Tyrone.

Kinnock in clash over BP holding

BY IVOR OWEN

CRITICISM by **Mr Neil Kinnock**, the Labour leader, of the Kuwaiti Government's 10 per cent holding in BP, Britain's biggest company in turnover terms, were dismissed as "absurd" by **Mrs Margaret Thatcher**, the Prime Minister, in the Commons yesterday.

In Question Time exchanges, Mr Kinnock highlighted the fact that in addition to Kuwait having become BP's largest shareholder, foreign interests now have a 45 per cent stake in Jaguar, 20 per cent in Rolls-Royce, and 15 per cent in British Aerospace.

To Labour laughter and cheers he asked: "Is that what you meant by encouraging wider share ownership?"

Mrs Thatcher replied that Britain's overseas investments were very considerable and contributed "enormous sums" to the balance of payments.

As BP owned many assets and oilfields overseas it was not surprising that it should attract international investors.

Mr Kinnock reminded the Prime Minister that the earnings from overseas investments constituted less than half the deficit which the Government had "run up" through Britain becoming a net importer of manufactured goods.

If the involvement of the Kuwaiti Government in BP was so good why had not the British Government taken 10 per cent of the shares - "or do we have to rely on the Kuwaitis to nationalise BP in order to give it proper security?"

Mrs Thatcher retorted that it was not surprising that BP, a great international company, should have attracted a considerable number of overseas investors.

Amid Government laughter and cheers she told the Labour leader: "You forget, it's a global economy and global trade and want to see this country as some sort of Albania."

Mr Kinnock countered: "You know a great deal more about Albania's form of government than I dot."

He said it was ironic that BP used to be part of Britain's strength and that it now belonged to "everybody else".

He called on the Prime Minister to stop "reflagging Britain".

Background, Page 22

Labour policy review to move one stage ahead

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

LABOUR will today stage a joint shadow Cabinet and national executive committee meeting to decide membership of the seven working groups which will be at the heart of its forthcoming, two-year policy review.

It emerged last night that Mr Ken Livingstone, the left-wing MP for Brent East, whose recent remarks on the Northern Ireland situation have infuriated the Labour leadership, will sit on at least one of the special working groups.

As a member of Labour's NEC, Mr Livingstone is entitled to be included in the policy review structure, although his role will not be clear until after today's joint session. The final composition of the working groups is, however, subject to confirmation by the NEC.

Mr Kinnock denied reports that some MPs had called for the withdrawal of the Labour whip from Mr Livingstone following his recent calls for withdrawal of troops from Northern Ireland and his prediction that the IRA would eventually win the battle.

Today's meeting will finalise the structure and mechanism of the policy review, which will report back to next year's party conference.

Party leaders will today receive a report on polling information to provide a picture of the political battleground at the time of the next election.

Plans for Scottish education under fire

By Tom Lynch

GOVERNMENT PLANS for centrally-organised testing in Scottish primary schools met with immediate Opposition charges that they were a step towards forcing Scottish education into line with the English system in response to pressure from Mr Kenneth Baker, the Education Secretary.

Announcing proposals for the testing of English and mathematics at primary 4 and primary 7, **Mr Malcolm Rifkind**, the Scottish Secretary, told the Commons that schools inspectors "have consistently referred to the need to improve assessment techniques in primary schools".

He said the aim was to give parents and schools better information on the progress and special needs of children. Head teachers would draw tests from a central "bank" and they would be marked by the schools themselves.

Mr Rifkind pledged that tests would not be used to select for different schools or to rank pupils in order of merit. Test results would be available only to the individual child and his or her parents and teachers, but each school's overall performance would be published to allow parents to make comparisons.

The minister insisted that his proposals were in keeping with the Scottish educational tradition and that they were distinctive from the Baker plan for England and Wales. They referred only to primary schools and to two specific subjects, would be unlikely to need primary legislation and allowed head teachers to choose tests.

However, **Mr Donald Dewar**, the shadow Scottish Secretary, said the proposals were over-influenced by developments south of the Border and accused Mr Rifkind of importing the concept of national testing at a time when inspectors had been reporting favourably on developments in primary schools.

His demand to be told who had been demanding the new tests was echoed by **Mr Archy Kirkwood**, for the Liberals, and by several Labour backbenchers.

Mr Bruce Millan (Lab, Govan), a former Scottish Secretary, accused Mr Rifkind of "aping the English" and **Mr Tony Worthington** (Lab, Clydebank and Milngavie) said the minister was "showing distressing signs of the application of the leaded handbag in having to bring the Scottish education system into line with the English one."

The statement was welcomed from the Government benches by **Sir Hector Monro** (Dumfries), **Mr Michael Fallon** (Darlington) and **Mr Tom Sackville** (Bolton West). But **Mr Alick Buchanan-Smith** (Kincardine and Deeside) warned that the good things in the proposals would be put at risk if there was inadequate time for consultation.

Identity card pledge

THE administration of the community charge system will not require individuals to use identity numbers or identity cards, Mr Ian Lang, Scottish Office Minister of State, said in a Commons written reply.

House hears some patriotic beefs

THE little Englanders on the Labour back benches were very active in the Commons yesterday providing a suitable prelude to some patriotic posturing by Labour leader Neil Kinnock and Mrs Thatcher.

The Tories, who see themselves as the natural guardians of the national interest, always start feeling uncomfortable when the Opposition starts waving the Union Jack.

Labour's Dennis Skinner, whose nationalism is so fervent that he refuses to take a holiday abroad, started things rolling during agricultural questions with his usual abrasive call for Britain to quit the Common Market.

The Government should say goodbye to "the Germans and all the rest of 'em" and do the decent thing by getting out of this "unmitigated disaster".

This was the cue for the strident Frank Haynes to leap up on the Labour back benches in defence of the roast beef of old England. Although his Nottinghamshire constituency of Ashfield is noted for mining and textiles it apparently includes some solid beef farmers.

It was, bawled Frank, the most "beautiful, delicious English beef" although in deference to his Scottish colleagues he conceded that some pretty decent beef was produced north of the border. So when was the Government going to take action against beef imports and stop "this rubbish" coming in from abroad?

Frank is one of those "I lived in a hole in the road" Labourites who has proudly recalled that his family had to have newspaper on the table instead of a cloth. We are not told whether the newspaper was ever graced by a roast beef.

The Kinnock-Thatcher battle concerned the Kuwaiti Government's acquisition of 10 per cent in the recently privatised British Petroleum. Mr Kinnock used all his Welsh eloquence to get her to put the British back into BP.

Mrs Thatcher, who was on the defensive on this delicate subject, reminded him about the realities of the global economy and accused him of wanting to treat Britain as some sort of Albania. No nastier insult can be flung at your true British patriot than to identify him with this insular little state which practises its own peculiar form of communism.

Of course, jeered the Labour leader, she was far more familiar with the Albanian style of government than he was. When was she going to stop reflagging Britain?

But it seems that our ministers are not lacking in patriotism. It later emerged that some are starting to indulge in the nationalistic habit of swaggering around in military uniform.

From the Labour benches Harry Ewing complained that George Younger, the Defence Secretary, had turned up at an exercise resplendent in regimental uniform complete with beret.

He wondered where this would all end. Would Paul Channon, the Transport Secretary, turn up as a lollipop man and Douglas Hurd, the Home Secretary, dress as a policeman? He suggested that perhaps Scottish Secretary Malcolm Rifkind should appear as a demolition man in view of what he was doing to the public services in Scotland.

The possibility of televising the Commons is likely to be debated again soon and, if the cameras are allowed in, viewers will be able to judge these shenanigans for themselves. Yesterday Labour's actor MP Andrew Faulds warned that the cameras would only encourage the "charismatic sirens" in the House and lead to even worse behaviour by some of his colleagues.

As if to prove his point the irrepressible Tony Banks, one of Labour's self-appointed comedians, declared: "You will get a walking-on part."

Faulds, like an affronted King Lear, drew himself to his full height and boomed: "I will be one of the stars. It is you who will get the walking-on part."

John Hunt

TECHNOLOGY: Computing

Why dealers are falling behind in paper chase

DAVID Taylor, managing director of Stratus UK, a computer manufacturer with a growing presence in the financial services industry, put the "back office" problem succinctly.

"If a securities firm thinks it can give its traders a one per cent competitive edge by installing a particular system or spend the same amount of money on improving its back office efficiency by five per cent, which do you think it will choose?."

The answer, inevitably, is the dealing system, despite all the evidence which shows that firms which went out of business after New York's "Big Bang" a decade ago were in the main those which failed to bring their back offices up to scratch.

Back offices - which deal with customer accounting, clearing and settlement - are the "Cinderellas" of electronic financial services. They rarely attract the kind of investment seen in dealing rooms. Over the year since Big Bang in London, most equities firms have only managed to keep their settlement under control by asking their staff to work weekends and overtime.

This experience seems to have brought the problems home to them dramatically. Now a survey of the major securities firms in the City, carried out before the downturn in world markets by Stratus and the consultants Synopsys, shows widespread concern about the capacity and capabilities of existing systems.

Back offices are the Cinderellas of electronic services

It discovered:

●All brokers are concerned about the capacity of their systems, with one in four believing that the average volume of trades would top 30,000 a day per broker by 1990.

●Most are worried that their present systems are not sufficiently flexible to handle a wide variety of financial instruments; the main emphasis of the back office requirements of those surveyed was on fixed-interest instruments, followed by Eurobonds, equities, futures and options.

●Most are looking to replace their existing systems within the next three years.

Other surveys have indicated that most equities firms are keen to replace their dealing systems over the next 18 months or so, suggesting that the demand for computer specialists in the City is likely to be heavy and prolonged.

The survey also suggests that investment in new technology will remain a heavy burden on firms' balance sheets for the foreseeable future.

The survey indicated that brokers are looking for "integrated" systems which link the front and the back office so that details of a deal have only to be entered once.

Brokers want to see:

●Systems that can interface with external settlement agencies such as Cedel and Euroclear and report automatically to regulatory bodies like the Securities Exchange Commission and the Securities Investment Board.

●Systems with the necessary interfaces to central services such as Saefs, the International Stock Exchange automatic small order execution service and Taurus, the automated clearance and settlement system, both expected to come on-line before 1990.

Cobol, the most popular business computer programming language, is still most widely used in brokers' back offices although 75 per cent of those questioned thought that fourth generation languages - which make it simpler to generate computer code using English-like instructions - would be increasingly important.

More than half the firms contacted said they preferred to develop their applications software in-house rather than buying "packaged" software from outside vendors.

Ashley Ashwood

Last-minute rush to deliver Jaguar applications: The success of a number of privatisation issues has contributed to pressure on "back office" systems

BY ALAN CANE

Instant success may elude new OS/2

OS/2, the microcomputer operating system developed by the US software house Microsoft for IBM's latest family of personal computers, may not be the instant success its supporters are hoping for.

A survey of companies in the UK which make extensive use of personal computers, sponsored by Lotus Development Corporation and carried out by Market and Opinion Research International (Mori), indicates that the existing operating system MS/DOS, will still have more users than OS/2 in three years time.

Operating systems, complex software programs which control the inner working of the computer, are important because they determine to a large extent the kind of tasks the computer can carry out and the way in which it tackles them. Thousands of application programs have been written to run under MS/DOS on IBM personal computers(PCs) and compatible models from rival manufacturers; any significant change to the operating system may render them totally redundant or demand extensive rewriting.

But the system, which as with PC/DOS, was adopted by IBM for its first PC family, is limited in many respects. It can use directly only 640,000 characters of main memory, is limited to carrying out one task at a time and does not allow more than one user to work on the same microcomputer.

It, therefore, fails to make the best use of the very powerful new chips from Intel - the 80/386 series - used in the most powerful new machines from IBM and others.

Comments from those questioned in the Mori survey confirm dissatisfaction with MS/DOS: "It only operates in a single tasking mode - we want to do several things. It is not very friendly"; "It is useless. We cannot do any development with it. The utilities are very limited"; "It is a limitation on the kind of functionality of the system. It is going to disappear. It is a very old fashioned system."

Nevertheless, some 71 per cent of the sample were at least fairly satisfied that MS/DOS met the demands of their organisation.

IBM announced its new family of personal computers, the Personal System/2, back in April. Two weeks ago, it confirmed that the basic version of OS/2 would be available to customers in the first weeks of the new year. This basic version allows the user to run several application programs simultaneously and to use up to 16m characters of memory but not a lot else.

The more valuable features of OS/2, including advanced screen management and multi-user capabilities, will not be available until much later in the year.

The Mori survey was carried out before IBM had confirmed the dates on which the important versions of OS/2 would be available, which may have influenced some of the answers.

Only just over half (52 per cent) of those questioned thought that OS/2 would be good for customers, with most looking to multitasking and increased memory utilisation as the chief advantages. Over one in four (28 per cent) though it would make no difference.

Those questioned were evenly balanced on whether IBM was wrong to announce a product so long before its availability date. Half believed that the gap between announcement and availability should be no longer than three months, anything longer creating confusion and uncertainty.

The survey indicated than in the companies questioned, the purchase of microcomputer hardware and software is centrally controlled - 89 per cent of respondents said that personal computers and software were either purchased centrally or on the recommendation of the centre. Only three per cent were free to buy whatever hardware and software they wanted.

The overall pattern seemed to indicate that customers will move slowly to OS/2, using it initially for specific applications that can take advantage of the speed, power, high-quality graphics and new ways of working that it promises.

Only one per cent intended to convert all their systems as soon as the new operating system became available. Furthermore, one in four believed there would never be a time when OS/2 users outnumbered MS/DOS users.

So IBM's attempts to establish OS/2 as the new industry standard will involve a battle with the company's success in the past.

The survey involved a random sample of 120 purchasers of microcomputer hardware and software in the UK. Between them, the companies involved are estimated to have bought over 7,000 PCs in the past year.

IT has built-in need for better cabling

THE "intelligent" building of tomorrow may turn out to have foundations of clay. Specialists in information technology (IT) are becoming increasingly aware that the biggest single problem in introducing IT is the cabling connecting together the individual elements of the system.

David Firnberg, managing director of Eosys, a consultancy with special skills in cabling said this week that the issue was grossly underestimated and neglected: "Developers and users are landed with obsolete buildings and they feel let down by the building professionals - the architects, engineers and space planners."

Christopher Cole, a principal consultant with Eosys, warned that with the spread of dispersed and distributed computer systems, businesses were becoming more vulnerable to shortfalls in the performance of cabling systems.

It could not be allowed to continue, he said. Building cabling could no longer be regarded as an incidental expense. The cost of installing a local area network, the cheapest method of providing high quality interconnection, could cost from £200 a user, for a simple system, to £2,000 for a user with more exacting requirements.

By contrast, he said, standard telephone wiring currently costs £50 to £75 an extension.

Inadequate physical cable distribution facilities could act as a severe constraint on the ability of an organisation to respond to business changes or new strategies.

The implication is that companies looking to use IT to give them a competitive edge will have to take the physical structure of their offices into consideration - and remember that buildings can last 50 years, while it is difficult to predict changes in technology more than three years ahead.

Firnberg and Cole were speaking at the introduction of the second stage of the two-year-old Eosys Cable Management Programme.

UK Government goes hard on software

THE GOVERNMENT is intensifying its efforts to put software production on a more professional footing both in its own departments and in the UK private sector.

With an annual expenditure approaching £800m in the civil sector alone, it is certainly the country's biggest single software buyer and it has a powerful interest in getting better value for money.

In particular, it is looking for better ways to automate its standard method for the analysis and design of administrative computer systems. Known as the Structured Systems Analysis and Design Methodology (SSADM), the method was developed by the Government's principal computing agency, the Central Computing and Telecommunications Agency (CCTA), in the early 1980s.

Last month, the CCTA and the National Computing Centre issued a joint statement clearly designed to establish SSADM as a de facto standard for software development in the UK: "Although developed initially for use in government," it said, "SSADM is now available for use by the private sector. This policy will continue."

There are a number of competing computing methodologies, all of which started life on paper - books about how to develop computer systems. A major interest these days is in methods of automating these paper techniques, so adding the power of the computer to the software specialist's skills.

Data processing specialists from Government departments this week crowded into a London conference centre to hear CCTA experts explain the implications of the initial stages of automating SSADM, the development of "analyst workbenches", combinations of hardware and software designed to give scientific rigour to the business of software production.

They heard David Gradwell of Data Dictionary Systems of Sunningdale, Berkshire, warn that the arrival of application generators - computer programs which can write computer programs - has resulted in the ability to build poorly designed systems faster: "We can deliver a lot of results. Every system is different. Nothing talks to anything else."

There was no longer, he insisted, a shortage of programmers to write programs but a shortage of quality analysts able to decide what a business was all about and how best to represent it in computing terms.

Analyst workbenches could offer significant benefits, according to Nicholas Hopkins of the CCTA, although he said that no commercial product available today met the CCTA's full requirements.

But it was worth buying today's products while they were still comparatively simple and inexpensive, gaining experience of their use and throwing them away: "Our advice is that where departments see opportunities for pilot projects which can take advantage of these tools, they should grasp the opportunity, justify the cost of the pilot against the achieveable benefits and learn for the future."

"Tomorrow's products are coming off the drawing board onto the production line and since they are likely to offer within the next 12 to 18 months a qualitative advance in the scope and depth of computer support, it would be premature to invest large amounts of funds in today's technology."

Among the vendors showing workstation products at the seminar were ICL with Quickbuild, Learmonth and Burchett Management Systems, Regnacentralen and Philips, with its "Maestro" office automation product, and Systematics with an as yet unannounced product, Virtual Software Factory.

A detailed analysis of workbenches commercially available is given in Analyst Workbenches, a new state-of-the-art report from Pergamon Infotech.

Edited by Rosemary Rock-Evans, it is a comprehensive account of the various kinds of electronic tools available to the software designer.

It makes it clear that the computing world is on the verge of a major advance in software engineering, which will leave many of today's advanced techniques without a future.

Rock-Evans concludes: "Analyst workbenches are the products of the future. They are not toys or a passing fad. They are here to stay and stand a good chance of outlasting most of the other products on the market today. The next few years will see an explosion in their functionality and use."

Analyst Workbenches, Pergamon Infotech, 1987, £245, available from DCE on 04862 30111.

Now Belgium shows Britain the way

CERTIFICATES in an Antwerp office property will be offered to the Belgian investment market next Monday. This will be the seventh single property asset vehicle to go on to the Bourse since December, 1985.

That same month in Britain, the Royal Institution of Chartered Surveyors published its report on the unitisation of property and helped to crystalise the domestic debate on whether and how single property asset vehicles could be quoted on the Stock Exchange.

The Belgians, in short, have been quietly going ahead and acting while the British authorities and the property institutions have been wrestling with the fine detail of regulation. Indeed, the Belgians have been syndicating property since 1965.

The key difference has been that while British investors have had to wait for the passage of the Financial Services Act and the subsequent publication of the regulations to back it, the sponsors of the Belgian issues have had to convince only the Banking Commission in Brussels. Belgian administration is much simpler.

The Banking Commission is the regulator of the Bourse and it has to approve every prospectus before it is published. It has to endorse the choice of a manager-controller for the property and of the auditor of the owning company's books. The properties themselves are owned by a company and it is units in this company that are held by the investing public.

Talks are now going on in Brussels about extending the scope of unitised property investment through the grouping of different properties in one issue. Previously the Banking Commission had been against such issues because they could be confused with property unit trusts.

Now it seems likely that it would give approval to any company which came with a concrete proposal provided that the buildings are all of the same type, there is one set of accounts for each building and that, in the event of a sale of a building before the end of the life of the unit, the proceeds are paid to the certificate holder.

All of this suggests, said David Bouch, the investment partner at Jones Lang Wootton in Brussels, that "Belgium has gone round the whole circuit the UK has gone round and reached the opposite side of the circle. It seems to have found a simple solution which is attractive to investors."

Had it not been for an implicit warning by the Department of Trade and Industry, property income certificates for at least three properties would now be trading on the London Stock Exchange. Because of the market crash there is now some relief that the issues did not come forward.

But the experience on the Brussels market with the five single property issues that are now trading is instructive in this context. "After the crash on New York, we saw prices coming down a bit. Then we noticed more interest and they went up again," said Philippe de Bethune of Le Certificat Foncier, the Groupe Bruxelles Lambert company which has been active in property unitisation for 20 years. "The value of a building won't change in a few weeks," he added.

There was some panic selling, agreed William Vanderfelt of Petercam Securities, which with CGER, the savings bank, has brought five of the seven issues to market. "But the certificates have held up better than the property companies generally. The yields are higher," he noted.

Yields have been running on the issues so far quoted at between 8.0 and 9.5 per cent, according to JLW calculations.

Although market prices by the middle of this week were well off the year's highs, all were above the initial price of the certificates. One issue, the St Honore building in central Brussels, which had started trading on October 26, 10 days after the first fall on Wall Street, was at BFrs10,100 after an issue price of BFrs 10,000.

So the property certificates did not escape unscathed but their percentage falls have been markedly less than, say, the price declines in once high-flying UK property stocks. One reason for this is that Belgian investors in the property certificates had to some extent anticipated the general market fall.

"The Belgian stock market had been rising since 1981. Everybody was beginning to wonder how long it would last. It seemed a fairly normal diversification for our customers to the extent that none had looked at property seriously for a long time," said Mr Vanderfelt.

This, of course, is just the type of argument that British surveyors have been advancing to their institutional clients - portfolios are unbalanced without a decent portion of property holdings.

Surveyors' anxiety to see a unitised property market develop has been tied to the notion that if investment could be broken down into smaller parcels, there would be a readier chance of institutional investment. To the extent that this argument has merit, it is as valid after the equity market crash as it was before.

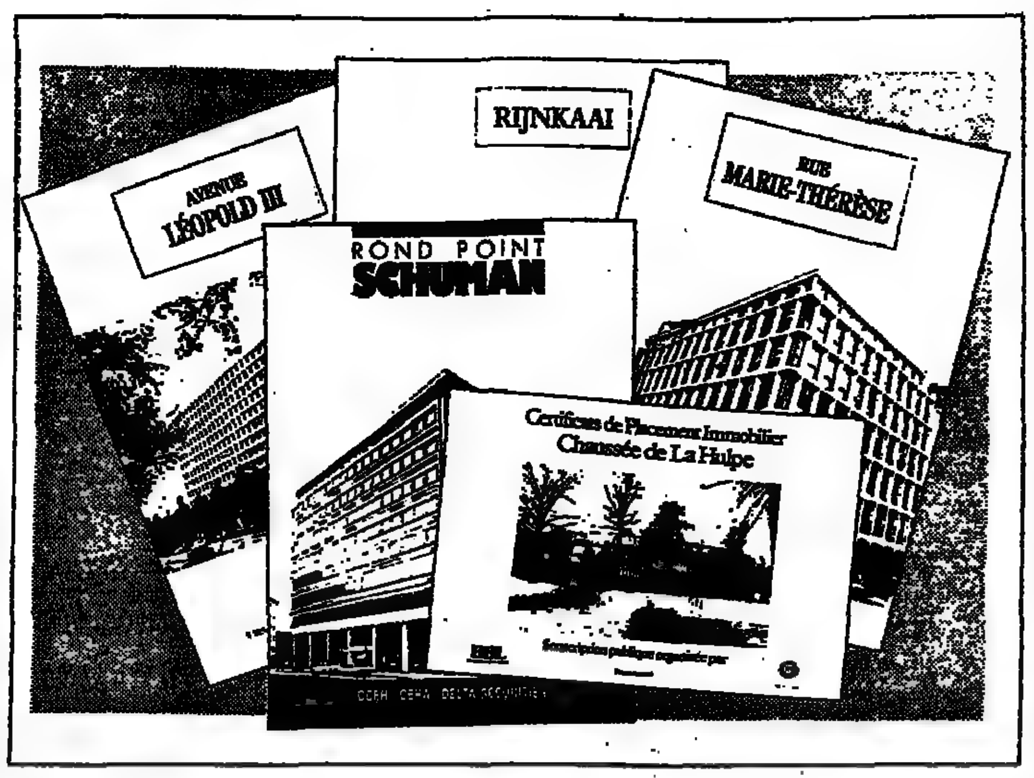
The difference is that while any British unitised market is aimed in the first instance at the institutions, the Belgian market has been much more the preserve of the private investor.

When these investors had the chance to go into to the direct property market from the end of 1985, there were specific local factors at play. The property market cycle was following the equity market cycle. Surplus space on the Brussels office market had been mopped up. The vacancy rate of 20 per cent had been falling - it now 2 per cent. And new building has been sparse.

At the same time, Paul van Poucke of Immolease, the Kredietbank property investment subsidiary, noted in a recent speech, interest rates had fallen especially in 1985-86 and had stabilised, while more recently there has been a slight rise in inflation.

The combination of all these factors has led to the Petercam-CGER issues being anything from 25 to 40 times over-subscribed. "The paper gets put in portfolios, so the secondary market is small, but sufficient for holders to sell when they want to," said Mr Vanderfelt.

"The new issues trade actively, but the market is not very big," commented Mr de Bethune. The Glaverbel building in Brussels, which the GBL group and Generale be Banque put on the market as the first of the crop of recent issues, has 116,000 certificates and nearly 50 per cent changed hands in 1986, he added.



WHEN Jones Lang Wootton sold the Antwerp office building to make possible its unitisation on the Belgian market, it brought the number of *"certificat immobilier"* issues available to the public since 1965 to 54.

The Groupe Bruxelles Lambert-Banque Bruxelles Lambert group has placed 24 of these issues on the market. The Kredietbank group has brought 12. Petercam Securities and CGER are the newcomers to the field.

The total funds raised are around BFrs8bn, a relatively small amount given that Belgians annually spend about BFrs110bn (£17.6bn) on residential accomodation. But property values are much lower in Belgium than in the UK. A year's office accomodation costs, on a square footage basis, in the City of London would buy a freehold in Brussels.

Between 1965 and 1980 the market was, in any case, rather exclusive. Issues were handled by the property investment arms of banks and the price of the units ran from BFrs25,000 to BFrs50,000.

During that period, the banks sought to match buyers and sellers and held monthly public sales of the certificates. The move to the Bourse at the end of 1985 was at least partly due to a recognition that the market, if it was to grow, had to be more open.

In the years following 1980, property investment was, in any case, a dead letter. Belgium was caught in a property slump from which it only began to emerge in 1982-83.

International Property

FT LAW REPORTS

Bankruptcy witness cannot be summoned from abroad

RE TUCKER
Court of Appeal (Sir Nicolas Browne Wilkinson, Vice-Chancellor, Lord Justice Dillon and Lord Justice Lloyd): November 16 1987

IN BANKRUPTCY proceedings the court cannot order service of a summons out of the jurisdiction for examination of anyone other than the debtor. Also, the court will not order examination abroad if, though permissible under the foreign system, it would not be compulsory and there would be little prospect of enforcement.

The Court of Appeal so held when allowing an appeal by Mr Keith Tucker from Mr Justice Scott's decision that the English court had power to summon him from Belgium for examination in respect of his bankrupt brother's property dealings.

Section 25(1) of the Bankruptcy Act 1914 provides: "The court may...summon before it...any person...capable of giving information respecting the debtor..."

Section 25(6): "The court may...order that any person who if in England would be liable to be brought before it under this section shall be examined...in any other place out of England."

Rule 86 of the Bankruptcy Rules, as amended in 1962: "Where any process or order of the court...is required...to be served on any person who is not in England, the court may order service on him..."

LORD JUSTICE DILLON said that Mr Tucker was the brother of a bankrupt debtor. Although he was a British subject he did not live in England.

A trustee in bankruptcy was appointed in September 1985. Because of the dates the bankruptcy was governed by the Bankruptcy Act 1914, not the Insolvency Act 1986. It was effectively a tax bankruptcy, all debts having been released or paid off except for a £18.5m claim by the Inland Revenue.

The trustee formed the view, which was not disputed, that Mr Tucker was a very important examinee in the bankruptcy.

On May 9 and May 13 1986 he obtained two summonses under section 25(1) of the 1914 Act, requiring Mr Tucker to attend for examination in the High Court and to produce documents. He was granted leave, purportedly under amended rule 86 of the Bankruptcy Rules, to serve the summonses on Mr Tucker by post at his home in Belgium.

Mr Tucker never submitted to the jurisdiction of the English bankruptcy court. He applied for rescission of the orders authorising service out of the jurisdiction. Mr Justice Scott dismissed the application.

Mr Tucker now appealed. The question was whether the court had jurisdiction to authorise service abroad.

Until amendment of the Bankruptcy Rules in 1962 there was no power to serve any process in bankruptcy proceedings on anyone, other than the debtor, who was not in England. In 1962 the Rules were amended to provide that the court might order service of process "on any person who is not in England".

The trustee's primary argument was that section 25(1) of the Act gave the court power to summon for examination "any person" who had the requisite connection with an English bankruptcy, and that "any person" covered any person of any nationality in any part of the world.

If that were right the amended rule 86 was merely providing machinery to implement the jurisdiction conferred by section 25, and could not be held to be *ultra vires* as extending the jurisdiction of the court.

Section 25(1) was about summoning people to appear before an English court to be examined and produce documents. The general practice in international law was that the courts of a country only had power to summon persons who accepted service or were present within the territory of that country when served with appropriate process.

There were exceptions, but no general power had been conferred to serve process on British subjects abroad.

Against that background one would not expect section 25(1) to have empowered the English court to hale before it persons who could not be served with the necessary summons within the jurisdiction.

By section 25(6) the court was given power to order examination out of England of "any person who if in England would be liable to be brought before it under this section." The inevitable connotation of that wording was that if the person was not in England he could not be brought before the court under section 25.

"Liable to be brought before it under this section" must mean "brought before it by summons under this section". Subsection (6) thus confirmed that a person who was not at any relevant time in England and so could not be served with a summons in England, could not be examined under subsection (1).

If that were the correct construction of section 25(1), the jurisdiction of the court could not have been extended by the amendment in 1962 of rule 86 of the Bankruptcy Rules. The orders for service of the two summonses must have been bad.

Accordingly Mr Tucker's appeal was allowed. The orders for service out of the jurisdiction were set aside, and the summonses lapsed.

Before Mr Justice Scott Miss Gloster for the trustee invited the judge to make an order under section 25(6) of the Act, directing examination of Mr Tucker and production of documents in Belgium.

The judge declined to make the order, partly because he held the summonses were valid, and partly because he followed *Drucker (No 2) [1902] 2 KB 210*, which held that examination in other countries would only be ordered in a country within the jurisdiction of the British Crown.

The trustee now challenged the correctness of *Drucker* and asked that if the appeal were allowed so that the section 25 summonses could not proceed, the court should make an order under section 25(6) for examination of Mr Tucker in Belgium.

In *Drucker* Mr Justice Wright was perturbed at the notion that Parliament could have intended to empower the court to order examination of persons in foreign countries when it could not compel them to come up for examination and could not punish them if they refused. He seemed to have felt that an order for examination in a country within the jurisdiction of the Crown was not open to those objections.

There had been established procedures since before 1883, to obtain the taking in foreign countries of evidence in civil proceedings, normally by issue of a commission or letters of request. In view of those procedures, subsection (6) was not construed as limited to places within the Crown's jurisdiction.

But on the fundamental points in *Drucker* there was no doubt that Parliament did not intend to confer on the bankruptcy court any jurisdiction which could be exercised in breach of established international law criteria with regard to comity. Also, there was no doubt that the question of whether a person ordered to attend for examination abroad could be compelled to come or could be punished if he refused, was highly material to the making of an order.

The actual decision in *Drucker* was right.

There was provision for taking evidence before the Belgian court, under a Convention between the UK and Belgium. The Belgian government would allow a person to be examined in Belgium before an examiner appointed by the English court.

The government would, however, only take that attitude provided the examiner had no compulsory powers. Any summons served on Mr Tucker wpould have to state expressly that there was no compulsion on him to appear.

In those circumstances it was plain the Belgian court would not compel Mr Tucker to come up for examination, and would not punish him if he refused to come, or came and would not answer.

The English court would have no means of compelling him to attend, or of punishing him if he did not, because the summons would have had to state there was no compulsion for him to appear.

There was nothing to suggest Mr Tucker was willing to be examined in Belgium if the court so ordered. The whole history of the proceedings indicated a total unwillingness to co-operate. There was so little prospect of an order against Mr Tucker being obeyed or serving any other useful purpose, that to make an order would not be a proper exercise of discretion.

Sir Nicolas Browne-Wilkinson and Lord Justice Lloyd agreed.

The appeal was allowed. The cross appeal was dismissed.

For Mr Tucker: Jules Sher QC and Christopher Brougham (Roneys).
For the trustee in bankruptcy: Eben Hamilton QC and Elizabeth Gloster (Stephenson Harwood).

By Rachel Davies
Barrister

Company Notices

GENERAL MOTORS CORPORATION

Notice is hereby given that resulting from the corporation's Declaration of a Dividend of $1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th December 1987, there will become due in respect of Bearer Depositary Receipts a gross distribution of 6.25 cents per unit.
The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th December 1987.
All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's Third Quarter Report for 1987 will be available upon application to the Depositary named below.

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street
London EC3P 3AH

CHEMICAL NEW YORK CORP
USD 30000000 FLOATING RATE
SUBSCRIBED CAPITAL
NOTES AT RATE

[illegible]

OFFICAL NOTICE

[illegible]
C. STEINWEG, WILLEMSKADE 25, ROTTERDAM 3, NETHERLANDS

Art Galleries

PARKIN GALLERY 11 Motcomb Street, SW1. 01 235 8144. A tribute to Brian Cook a Retrospective Exhibition.

KING STREET GALLERIES 17 King Street, St James's, SW1. 01 930 9392 RODERICK MACDONALD, Java, Barley, Sky until 21 Nov, 1987

ISSUE OF UP TO U.S.DOLL. 600,000,000 BANQUE FRANCAISE DU COMMERCE EXTERIEUR Floating Rate Notes Due 1996 of which U.S.Doll. 350,000,000 is being issued as the initial tranche

In accordance with the provisions of *the above mentioned floating rate* notes, the rate of interest for the period November 18, 1987 to May 18, 1988 has been fixed at 7.4175% per annum. The interest payable will be U.S. Doll. 1,874.98 on each note of U.S.Doll. 50,000 and U.S.Doll. 9,374.90 on each note of U.S.Doll. 250,000.

Banque International A Luxembourg
Societe Anonyme
Fiscal Agent

Company Notices

PETROFINA

Société Anonyme
52 rue de l'Industrie, B-1040 Brussels
R.C. Brussels n° 227.957

Messrs. Shareholders are hereby convened to attend the Extraordinary General Meeting, which will be held on December 8, 1987 at 11.30 a.m. at the Company's Head Office, 52 rue de l'Industrie, 1040 Brussels, with the following agenda:

Agenda

1. Election of a Statutory Auditor.
Remuneration of the Statutory Auditor.
2. Resignation and election of Directors.

* * *

In view of this meeting, holders of bearer shares may deposit their shares no later than Wednesday December 2, 1987 with one of the following institutions:

In the United Kingdom:
- Banque Belge Limited, 4 Bishopsgate, London EC2N 4AD.

In Belgium:
- all branch offices of Générale de Banque
- all branch offices of Banque Bruxelles Lambert
- all branch offices of Kredietbank
- all branch offices of Banque Paribas Belgique.

In France:
- Crédit du Nord, 6-8 Boulevard Haussmann, 75009 Paris
- Banque Nationale de Paris, 16 Boulevard des Italiens, 75009 Paris.

In the Grand Duchy of Luxembourg:
- Banque Générale du Luxembourg, 14 rue Aldringen and 27 avenue Monterey, Luxembourg
- Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg.

In the Netherlands:
- Amsterdam-Rotterdam Bank, Herengracht 595, 1017 CJ - Amsterdam
- Algemene Bank Nederland, Amsterdam and Rotterdam Branches.

In Germany:
- Commerzbank, Neue Mainzer Strasse 32-36, 6000 Frankfurt
- Deutsche Bank, Grosse Gallus Strasse 10-14, 6000 Frankfurt
- Dresdner Bank, Jurgen-Ponto Platz 1, 6000 Frankfurt.

In Italy:
- Credito Italiano, Piazza Cordusio, Milano.

In Switzerland:
- Crédit Suisse, Paradeplatz 8, 8001 Zurich
- Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basle
- Union Bank of Switzerland, Bahnhofstrasse 45, 8001 Zurich.

LEBOWA PLATINUM MINES LIMITED
("Lebowa Platinum Mines (Proprietary) Limited)
Registration number 63/06144/06
RUSTENBURG PLATINUM HOLDINGS LIMITED
("RPH")
Registration number 65/22462/06 (Both companies incorporated in the Republic of South Africa)

Results of the rights offer of 86 157 796 ordinary shares by Lebowa Plats to its members and the renunciation by RPH of its rights entitlement to members of RPH, Lebowa Development Corporation Limited ("LDC") and Nationals of Lebowa.
Lebowa Plats reports hereunder the results of its rights issue of 86 157 796 ordinary shares to its members, namely the LDC and RPH.
1. The LDC's rights entitlement of 6 461 835 shares (7,5% of the issue) was subscribed for in full.
2. RPH's rights entitlement to 79 695 961 shares (92,5% of the issue) was renounced by RPH as follows:
(a) to members of RPH or their renouncees, 68 926 287 ordinary shares: subscriptions for 67 032 573 shares (97,3% of the offer) were received. The remaining shares will be taken up by the underwriters or their nominees in terms of the underwriting agreements.
(b) to the LDC, 4 307 889 ordinary shares, which amount was fully subscribed.
(c) to Lebowa Education Trust, the Lebowa Training Trust and certain other parties, 1 461 835 ordinary shares, which amount was fully subscribed.
(d) to Nationals of Lebowa 5 000 000 ordinary shares by way of a public offer: the offer, which was 1,76 times subscribed. Details of the allocation were published in the press on 9 November 1987.
Share Certificates will be posted on 20 November 1987.
Johannesburg
19 November 1987

Company Notices

APPOINTMENTS

Reorganisation at Moss Bros

MOSS BROS is reorganising its senior management posts. Three group operating divisions have been created - retail, wholesale and property. **Mr Peter Moss**, deputy chairman, has been appointed managing director property. **Mr Bernard Thomas**, a director, becomes managing director retail. **Mr Philip Froomberg**, a director, is made managing director wholesale, L & A Froomberg, with **Mr Martin Froomberg** as deputy managing director. The group finance director, **Mr F.J.G. Smith**, has departed. **Mr Stephen Haywood** has been appointed group financial controller.

★

J.H.MINET & CO., has appointed **Mr Peter Foster** and **Mr Frank Heinrich** as executive directors of the international marine division; **Mr Andre Hardie**, **Mr Simon Radford**, **Mr David Sloan** and **Mr Adrian Stewart** as divisional directors of the international non-marine treaty division; and **Mrs Susan Bull** as divisional director of the North American reinsurance division.

★

Sir Peter Craft Hutchison, chairman of Hutchison and Craft, insurance brokers, has been appointed a part-time member of the BRITISH WATERWAYS BOARD for three years from December 1, with special responsibility for Scottish matters. He succeeds **Rear-Admiral David Dunbar-Nasmith**.

★

CALNAY, Rhymney, part of the C H Industrials group, has appointed **Mr John Bewley** to the new post of chief executive. He was managing director of Stewart Singlam Fabrics. **Mr Bob Fanthom** has been appointed works director and **Mr Jack Gasson** becomes sales director.

Dutch bank forms London subsidiary

BANK MEES & HOPE has formed a wholly-owned UK subsidiary, Mees & Hope Securities Holdings. The new company has three wholly-owned subsidiaries, Mees & Hope Investment Management, Mees & Hope Corporate Finance, and Mees & Hope Securities. The board of the new company comprises: **Dr D.M.N. van Wensveen**, chairman; **Mr A.J. Buchanan**, deputy chairman and managing director; **Dr Th. Beels**, director; and **Jhr. D.R. Hooft Graafland**, director. **Mr P.J. Kalff**, a member of the managing board of Algemene Bank Nederland, and **Mr G.R. Furse** have joined the board as non-executive directors.

Mr John S. Rolander has been promoted to senior vice president of the MAC GROUP. He will head the London office, and will serve as director of the company's International Financial Services Industry Group.

★

THE NABISCO GROUP has appointed **Mr Stephen Barnett** as managing director of Bendicks (Mayfair) at Winchester, maker of chocolates. He is marketing director of Smiths Crisps, and will join Bendicks on January 1, succeeding **Mr Michael B. Walters**, who is retiring.

★

IML has appointed **Mr Anton van der Lande** as regional director Europe, with additional responsibilities for the Middle East, North, East and Southern Africa. He was managing director of the Dow Jones Courier Co.

★

Mr Keith Henley, general manager of Xitan, is to join APRICOT COMPUTERS as managing director, desktop publishing division. He replaces **Mr John Leftwich** who has been promoted to the new post of group product and marketing director.

★

Mr Keith Mack, controller National Air Traffic Services, is to be appointed director-general of EUROCONTROL on January 1. He succeeds **Mr Horst Flentje** who has had his term of office extended to allow Mr Mack to complete his term as controller of NATS in the UK.

★

Mr W.E. Ellis has been appointed marketing director of THORN SOFTWARE, formed within the THORN EMI Technology Group in May to co-ordinate the development of the information systems and information services businesses. Mr Ellis has worked with Software Sciences, of which he was a founder-director, since 1970, apart from a period of 18 months as marketing director of THORN EMI Information Technology.

★

At HAMPSON INDUSTRIES **Mr Martin James Kennedy** and **Mr Brian Wronski** have been appointed directors. Mr Kennedy was the founder of the Kenmart Organisation and has continued as its chief executive since that organisation became part of Hampson on August 14. Mr Wronski was the founder of Swiftshield and continued as its chief executive after it became part of Hampson on July 9.

★

Ms Anne McMeehan has been appointed marketing director of FRAMLINGTON UNIT MANAGEMENT. She succeeds **Mr Tim Miller** who continues as chairman of Framlington Unit Management and managing director of Framlington Group.

Mr Barry Purcell has been appointed to the board of LEISURE INVESTMENTS. He has been brought in to manage the new catering and casino divisions. He was managing director of the Metropole Group of hotels and casinos, a division of Lonrho.

Miss Marilyn Ridgewell, who has been elected president of the BRITISH FROZEN FOOD FEDERATION, the first woman to hold the office. She is marketing director of Global Group.

★

Mr Michael Totterdell has joined ALFRED MCALPINE as group saefety director. He was chief safety engineer at John Brown Engineers and Constructors.

★

Mr Haque Khan, **Mr Tim Palmer** and **Lord Strathcona** are retiring from the board of SOUTHWEST RESOURCES on January 1, when **Mr Keith Lawrence** joins the board. **Mr Ken Keep**, a director, becomes company secretary in place of **Mr Michael Carroll**.DOMINION INTERNATIONAL is making the following board appointments on January 1: **Lord Barnett**, vice-chairman of the BBC, becomes deputy chairman. **Mr Herbert Blodgett**, the founder and president of Transnational, one of Dominion's principal operating subsidiaries in the US, is appointed a director. **Mr John Clarke**, deputy chairman of Family Assurance Society, becomes a non-executive director. Mr Lawrence, deputy finance director, is appointed finance director. **Mr Michael Woolley**, director of investment, will join the board. Mr Keep will replace Mr Carroll as company secretary. **Mr Donald Neville**, Mr Khan, Mr Palmer, and Lord Strathcona will retire.

★

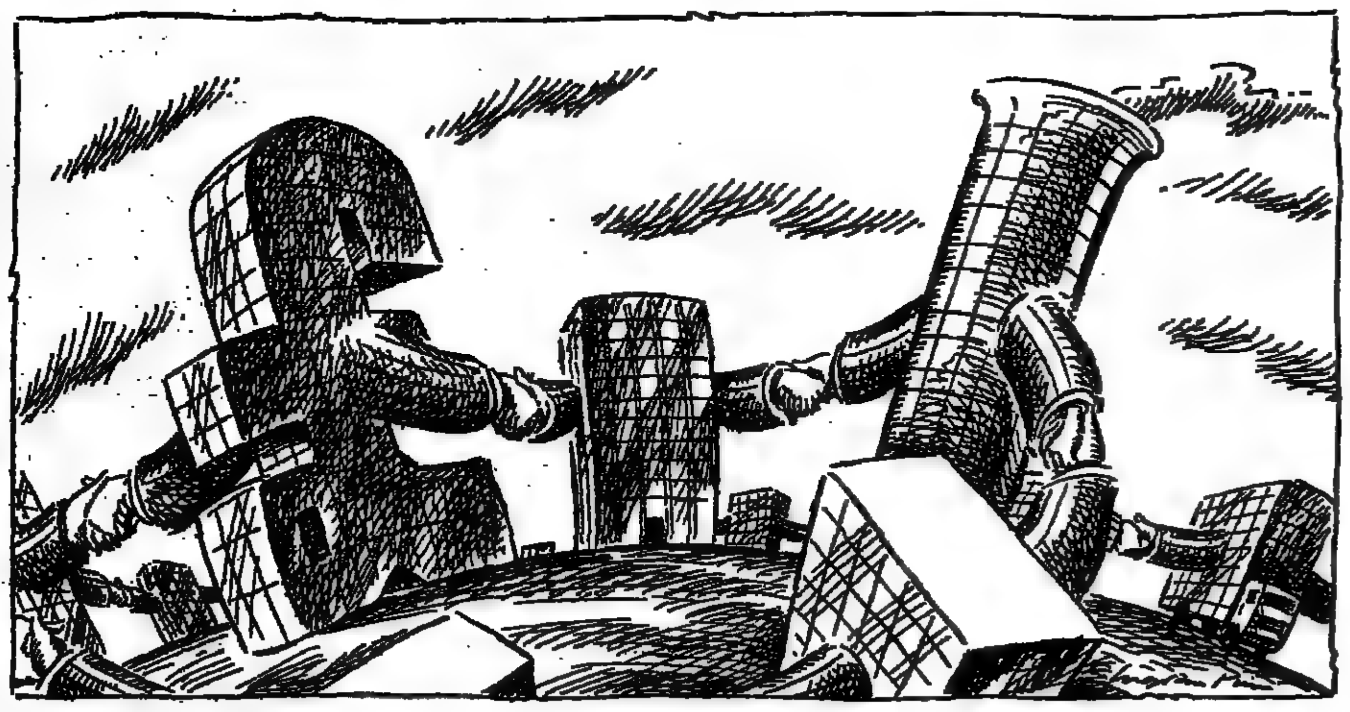
Mr Ingram Lenton has been appointed non-executive chairman of the new COMPASS GROUP. He retired this year from Bowater where he was chairman and managing director. **Mr Nigel Olsen** becomes a non-executive director; he is a director and general manager of Investors in Industry. **Mr Fritz Ternofsky**, executive vice president (Europe) of Commonwealth Holiday Inns of Canada, has also been appointed a non-executive director.

★

MTM has appointed **Mr Jim Friederichsen**, group commercial director, as chairman of its associated company Marlborough Biopolymers, a joint venture between MTM and ICI making biodegradeable plastics.

MANAGEMENT

Large companies are seeking new ways to co-ordinate their diverse business units. **Christopher Lorenz** reports



Multinationals grope towards an inner metamorphosis

LARGE MULTINATIONAL companies have always tended to fall into two organisational camps. In one corner of the battlefield have been the Matsushitas, Hewlett-Packards and 3Ms, which have had an ideological commitment to decentralisation of their various divisions and business units - sometimes even to the extent of encouraging internal competition.

On the opposite side have been the IBMs - dedicated to total integration of their units around the world.

Now the two camps are edging towards each other in search of a hybrid approach. In the last three years Matsushita, HP and 3M have all introduced more co-ordination between their business units.

3M, the Minnesota-based maker of Scotch Tape, computer disks and a host of other items, has established a joint marketing group for its many consumer product businesses. HP, famous for its computers and electronic instruments, has started to co-ordinate the technology and marketing of its various computer units.

Matsushita, the Japanese consumer electronics giant, has introduced a forceful corporate programme of research and development in micro electronics. This replaces the previous fragmented efforts of its many divisions, which Matsushita felt had made it too dependent on outside sources for key components.

At the same time IBM has relaxed its central grip on parts of its organisation; relationships between its mainframe computer businesses are still tightly managed, but other units have been given various degrees of independence.

What all the companies have realised, according to C. K. Prahalad and Yves Doz, the co-authors of a major new book called The Multinational Mission*, is that "quality of organisation" - including flexibility and variety - will become *the* prime competitive weapon *over* the next decade.

The standard multinational armoury of technology, finance and geographic spread are becoming increasingly balanced between leading Japanese, American and European companies, warn Prahalad and Doz; what they call a "resource parity" is emerging, so that no conventional resource provides a sufficient competitive edge.

The underlying theme of "The Multinational Mission" is that the complexities of global competition and modern multinational organisations have reached such a pitch that companies need to break free of many conventional concepts of strategy and structure.

Prahalad and Doz, who are business professors at Insead in France and the University of Michigan respectively, argue that intense complexity, both in the business environment and within companies, can only be dealt with by improving the flow of information and analysis, and by placing less reliance on formal structures and hierarchies.

Doers and thinkers

"Management is no longer, if it ever was, just for the 'doer'; it is as much for the 'thinker'," they emphasise.

Their book is certainly not for the intellectually squeamish. It probes into almost every aspect of multinational management, from the dynamics of global competition to internal control mechanisms, and from relations with governments to leadership styles, management development, and organisation structures. It is not an easy read, but is the most ambitious work on global competition to appear for several years.

In future, say the two professors, the central source of competitive advantage for a multinational will be its "strategic capability" - the ability not just to keep learning about its changing environment and to conceive effective strategies, but to mobilise its resources in constantly shifting ways in order to execute those strategies.

This will only be possible, say Prahalad and Doz, if multinationals abandon their traditionally rigid organisation structures - either centralised or decentralised - and instead find unbureaucratic ways of exploiting the key "interdependencies" which link their disparate businesses, as well as their subsidiaries around the world.

Depending on the company's particular situation, argue the two authors, interdependencies between its different businesses may consist of one or more of the following: shared technology, shared components, joint distribution networks, related pricing policies, cross-subsidisation, relations with governments, or just corporate image.

The strategic importance of such linkages - and the danger of ignoring them in favour of rigid decentralisation - is illustrated by many examples in the book. A particularly painful one, as Prahalad and Doz point out, is the failure of US General Electric in the 1970s to exploit the *natural linkages* between several of its "strategic business units", such as small domestic appliances, radio, television and other consumer electronic products.

Nor, in most products, did GE build the necessary global presence and infrastructure to exploit economies of scale and cash *flows* across national boundaries. "No attempt was made to cope with the competitive threats posed by Sanyo or Matsushita," complain Prahalad and Doz. As a result GE was eventually forced out of all those businesses.

Cross-unit linkages

Illustrating their call for active but flexible - management of cross-unit linkages, the academics point to the success of several Japanese multinationals in managing different parts of their empires differently, and even varying the pattern within the same business.

"For example, research and development may be totally centralised, manufacturing may be regionalised, and marketing may be *handled on* a country by country basis, with little attempt to impose one approach. In some cases, even within marketing, such aspects as pricing or large global accounts may be managed centrally, and others, such as channel [distribution] management and promotion, are decentralised.

"Honda, Canon, and other Japanese competitors have been quite sensitive to the need to differentiate the extent of integration between functions," the two writers continue. "Typically, they have integrated R & D and manufacturing more than their western competitors but have given their marketing subsidiaries and their distributors a greater latitude to adapt to national conditions as needed. That flexibility to differentiate across functions has proved to be a significant source of competitive advantage."

In the management of interdependencies, stress Prahalad and Doz, a "differentiated management system" of this sort must take account not only of differences between businesses, but *also variations within individual* businesses across national markets. The management process and the nature of headquarters/subsidiary relationships should not be uniform, as they are in most multinationals today, but carefully tailored to each country's individual circumstances, warn the two academics.

Prahalad and Doz fully recognise the inherent contradictions and complexities that such a flexible approach both requires and creates. But provided that a multinational fosters a number of strong and relevant "fixed pivots" - especially shared goals and values between its *managers* - they argue that it should be able to cope with a constantly changing administrative infrastructure, and with the resulting ambiguity of power relationships between *managers*.

Only if a multinational can manage this balancing act, they claim, will it be able to make the constant shifts in its mix of products and markets which are necessary these days for competitive success.

This may all seem a pretty tall order, but Prahalad and Doz insist it is feasible - indeed that it is already being practised by a handful of multinationals, especially the Japanese.

**Published in the US by The Free Press, price \$24.95, and in the UK by Macmillan at £32.*

An article on Monday will look at how multinationals are finding new ways of co-ordinating their operations across national borders.

How IBM uses 'contention'

ONE OF IBM's most famous innovations is its "contention management" system. But this process, in which one group of managers confronts another and argues over plans and budgets, is often misunderstood by outsiders.

Rather than just providing a way for the computer giant's top management to vet, challenge and improve the strategies of IBM's individual business units - like the legendary Harold Geneen's bloodbath "meetings weeks" with ITT's constituent companies - the IBM approach is primarily aimed at co-ordinating relationships *between* related business units.

Of all the companies that C.K.Prahalad and Yves Doz studied in their decade of research for "The Multinational Mission", IBM had the most developed approach to the management of such "interdependencies."

The system works as follows: IBM's many operating units have to send their plans to the various other units with which the plans assume interdependencies, as well as to the corporate staff groups whose task is to review the plans. Any of the units receiving the plan, or other units whose management thinks their own operation may be affected by it, can object to any part of it - that is, they voice a "non-concurrence."

That triggers a "contention" process between the involved units, during which a solution is sought by a joint working group, often under the chairmanship of a corporate officer not directly involved in the contentious interdependencies. Similarly, corporate staffs can lodge a "non-concurrence" and trigger the contention process.

If the joint working group does not reach a solution acceptable to both sides, the "contention" is then referred upwards for arbitration by a top management committee.

Prahalad and Doz comment that the process works well at IBM not only because it provides an explicit channel and a "due process" for the management of interdependencies, but also because various underlying preconditions (such as clarity of data, and IBM's "performance-oriented" culture and management processes), provide the infrastructure and the incentive for managing interdependencies actively.

IBM's corporate philosophy and competitive strategies also stress the benefits of interdependencies quite explicitly.

Interactive planning such as IBM's, say Prahalad and Doz, is "a first requirement for developing a capability to manage interdependencies." At IBM, as in many other companies, there are also many programmes that span organisational boundaries, as well as specialised units whose task is to deal with cross-unit relationships. Japan's NEC, for instance, relies heavily on an extremely dense network of "interbusiness committees".

Management abstracts

Detecting computerised fraud, *L. Mercer in The Accountant's Magazine (Scotland), Mar 87 and Jun 87 (7 pages)*

Describes the type and nature of controls to prevent computer-related fraud; considers various detection techniques such as the examination of low-level application data, the use of regression analysis on high-level application data; examines the methods and strategies which can be used to make the techniques effective.

Temporary help - a staffing alternative, *O.S. Powers & others in CMA Magazine (Canada), May/June 87 (4 pages)*

Emphasises the benefits of engaging temporary help to supplement permanent employees in meeting market demands and uncertainties; indicates the cost savings that can be achieved, stressing that direct wages are only a part of the overall costs to be considered. Shows how a company's break-even point can be reduced by the use of temporary labour, thus protecting planned profit margins.

Beyond equal opportunities towards pluralism, *F.C. Shipper in Business Horizons (US), May/Jun 87 (9 pages)*

Defines pluralism as a mixed workforce - mixed in more ways than demographics (eg race, age, sex), including a mix of educational level and other individual differences. Points to its advantages, and discusses how management can develop an appropriate organisational culture to explore these benefits.

Linking competitive strategy and shareholder value analysis, *A. Rappaport in The Journal of Business Strategy (US), Spring 87 (10 pages)*

Defines the shareholder value analysis approach for estimating the economic value of an investment, and explains the process of strategy evaluation, which judges the financial attractiveness of the strategic plan. Discusses how to integrate strategy valuation with the strategy formulation process, using the competitive analysis framework developed by Professor Michael Porter.

But how do I manage change? *J. Holden in Business Executive (UK), May/Jun 87 (4 pages)*

Presents the case for recognising that change - both internal and external to the organisation - is always happening, and should be managed and controlled through organisational development as an on-going facet of the business.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Music

LONDON

English Chamber Orchestra conducted by Jeffrey Tate with Nigel Kennedy, violin, and Robert Tear, tenor. Mendelssohn, Britten and Mozart. Barbican Hall (Mon). (638 8891).

Daniel Adni, piano. Mendelssohn and Debussy. Wigmore Hall (Tue) (935 2141).

London Symphony Orchestra conducted by Bramwell Tovey, piano, with Jack Brymer, clarinet, and Maurice Murphy, trumpet. Beethoven, Mozart, Haydn, Tchaikovsky and Dvorak. Barbican Hall (Tue).

Panocha Quartet of Prague with Michael Collins, clarinet. Beethoven, Schubert and Brahms. Wigmore Hall (Wed).

London Symphony Orchestra conducted by Kenneth Klein with Hideko Udagawa, violin. Beethoven and Dvorak. Barbican Hall (Thur).

PARIS

Shirley Verrett recital, Christian Ivaldi, piano (Mon) Theatre de l'Athenee (42301516).

Jorge Bolet, piano: Chopin, Debussy (Mon) Theatre des Champs Elysees (47203637)

Jean Claude Pennetier, piano: Chopin (Mon) Comedie des Champs Elysees (45041215).

Montreal Symphony Orchestra conducted by Charles Dutoit, Anne Sopie Mutter, soloist: Morel, Tchaikovsky, Stravinsky (Mon) Salle Pleyel (45610630).

Eva Graubin, violin, Roberto Bravo, piano: Brahms, Ravel, Franck (Tue) Salle Gaveau (45632030).

Nouvel Orchestre Philharmonique conducted by Paolo Olmi, Maria Tipo, piano: Chopin, Mendelssohn (Tue), Salle Pleyel (45610630).

Francois Rene Duchable, piano recital (Tue), Theatre des Champs Elysees (47203637).

Mozart by Poland's Chamber Orchestra with Yuri Egorov as conductor and soloist (Wed), Theatre des Champs Elysees (47203637).

Teresa Berganza, soprana with Symphonia Varsovia conducted by Alberto Zedda (Thur), Theatre des Champs Elysees (47203637).

NETHERLANDS

Amsterdam, Concertgebouw. The Schonberg and Asko ensembles under Reinbert de Leeuw, with Rosemary Hardy, soprano: Orban, Kurtag, Ligeti, Dallapiccola (Tue). Antal Dorati conducting the Concertgebouw Orchestra, with Zoltan Kocsis, piano: Kodaly, Kalkman: Poulenc, Szymanovsky, Ysaye (Tue). Udo Reinemann, baritone, accompanied by Roger Vignoles: Richard Strauss (Wed). Brahms piano recital by Fred Oldenburg (Thur) (71 83 45).

Utrecht, Vredenburg. The Hague Philharmonic conducted by Alain Lombard, with choirs under Barend Schuurman: Janacek, Ravel (Mon). Lucas Vis conducting the Royal Conservatory Symphony Orchestra, with Ellen Corver, piano: Poulenc, Ravel, Stravinsky (Wed) Recital Hall: The Smetana Quartet: Schubert, Smetana, Beethoven (Mon). Tatiana Nikolajeva, piano: Bach (Wed). The Touring Ensemble under Christian Bor: Haydn, Glazunov, Brahms (Thur) (31 45 44).

Rotterdam, Doelen. Lucas Vis conducting the Royal Conservatory Symphony Orchestra, with Ellen Corver, piano: Poulenc, Ravel, Stravinsky (Tue). Schonberg and Asko ensembles under Reinbert de Leeuw, with Arlene Auger, soprano: Orban, Ligeti, Dallapiccola (Wed). Rotterdam Philharmonic conducted by EsaPekka Salonen, with Peter Donohue, piano, and Tristan Murail, ondes martenot: Messiaen (Thur). Recital Hall: Smetana Quartet: Smetana, Shostakovich, Dvorak (Tue). Touring Ensemble under Christian Bor: Haydn, Glazunov, Brahms (Wed). (413 24 90).

Maastricht, Redoute. The Touring Ensemble under Christian Bor: Haydn, Glazunov, Brahms (Tue) (29 38 28).

Nijmegen, Vereeniging. Frans Bruggen conducting the Orchestra of the 18th Century: Haydn, Beethoven (Thur) (22 11 00).

NEW YORK

Carnegie Hall: Elena Obraztsova, mezzo soprano recital. Tchaikovsky, Rachmaninov (Mon) (247 7800).

Juilliard Concerts (IBM Gallery): Carla Trynchuk violin recital. Bach, Beethoven, Saint Saens (Wed, 12.30). Free. 56th & Madison.

Merkin Hall (Goodman House): On Original Instruments. Malcolm Bilson music director. Schubert, Spohr (Mon). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall). Leonard Bernstein conducting. Schubert, Mahler (Tue); Leonard Bernstein conducting. Christa Ludwig mezzo-soprano, New York Choral Artists directed by Joseph Flummerfelt and Brooklyn Boys Choir directed by James McCarthy. Mahler (Thur). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp conducting, Paul Peabody violin. Victorio Rieti, Bartok, Beethoven (Tue). 43rd e. of Broadway (842 1818).

WASHINGTON

Dresden Staatskapelle (Concert Hall): Sir Colin Davis conducting. Haydn, Strauss, Sibelius (Mon). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting, Janos Starker 'cello. Debussy, Hindemith, Bizet (Wed) (435 8111).

TOKYO

Helene Grimaud, piano. Schumann, Chopin, Liszt. Tokyo Bunka Kaikan. (Tue) (283 4338).

New Japan Symphony Orchestra, conducted by Vladimir Valek with Heinrich Schiff, cello. Shostakovich, Dvorak, Janacek. Suntory Hall (Wed) (237 9990; 985 4826).

Tokyo Symphony Orchestra, conductor, Kazuyoshi Akiyama, piano: Hiroko Nakamura. Tokyo Bunka Kaikan. Reznick, Beethoven, Tchaikovsky. Tokyo Bunka Kaikan. (Wed) (362 6764).

Scottish Chamber Orchestra, conductor: James Loughran with Maria Joao Pires, piano. Suntory Hall. (Thur) (780 5400).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The latest revival of the now rather decrepit Zeffirelli production of Tosca serves as vehicle for Eva Marton's first London appearance in the opera, and for the conductor Guiseppe Sinopoli's reappearance in the house. Peter Dvorsky and Ingvar Wixell are the other principals. Further performances of the new production by Elijah Moshinsky of Mozart's Entfuehrung, a friendly, rather messy show. Georg Solti keeps the music on rather a tight rein, and the best of an uneven cast are Kurt Moll's Osmin and Deon van der Walt's Belmonte (240 1066).

English National Opera, Coliseum: The final run of Jonathan Miller's Mafia style Rigoletto is distinguished by John Rawnsley in the title role and Anne Dawson as a beautiful and touching Gilda. Further performances of the new Barber of Seville, produced by Jonathan Miller, with Della Jones and Alan Opie; and of Sondheim's Pacific Overtures, a brave, wothwhile addition to ENO repertory (836 3161).

PARIS

Paris Opera. Norma alternates with Macbeth in Antoine Vitez' production where the drama of folly and power is enacted on steps descending to damnation by a prestigious cast conducted by Michael Schoenwandt (47426750).

Theatre de la Ville. Angelin Preljocaj's Hallali Romee, in which stylised attitudes and gestures of hands and the pelvis are supposed to create an identikit image of Joan of Arc (42742277).

WEST GERMANY

Berlin, Deutsche Oper: Madame Butterfly has fine interpretations by Raina Kabaivanska, Yoko Nomura and Giorgio Merighi. Turandot in Goetz Friedrich's production features Linda Kelm, Maria Teresa Reinoso and Peter Gougaloff. Der Fliegende Hollaender has a strong cast with Janis Martin, Kaja Borris, Toni Kramer and Robert Hale. Manon Lescaut brings Raina Kabaivanska, George Fortune and Giorgio Merighi together. Also Zar und Zimmermann and Katja Kabanowa. (34381).

Hamburg, Staatsoper: Don Pasquale with Hellen Kwon, Paolo Montarsolo and Urban Malmberg together. Also in the repertory The Nutcracker, choreographed by John Neumeir with Stefanie Arndt, Judith Carlson and Johannes Kritziner (351151).

Cologne, Opera: This week's highlight Tannhaeuser stars Mathias Holle, Spas Wenkoff, Wolfgang Brendel and Adelle Nicholson. There was much applause for Pique Dame in Rudolf Noelte's production with Josef Protschka, Nadine Secunde and Wolfgang Schoene. Eine Florentinische Tragodie/Gianni Schicchi round off the programme(20761).

Frankfurt, Opera: Aida, produced by Hans Neuenfels, is revived with Jurij Zinovenka, Linda Finnie, Awilda Verdejo and Seppo Ruohonen. Cosi fan tutte, conducted by Gary Bertini, is respectable with Margaret Marshall, Mitsuko Shirai, Diana Montaque, Olaf Beer and Tom Krause. John Cage's two operas 'Europeras 1 & 2' also produced by him, close the week. ([illegible]).

Stuttgart, Opera: Gluck's rarely played Iphigenie auf Tauris is steered to triumph by Rachel Gettler in the title role. Jenufa is an event of more than passing interest with Grace Hoffman, Leonie Rysanek, Gabriele Benackova and Manfred Jung. Awilda Verdejo leads a strong cast in Madame Butterfly. Also Die Entfuehrung aus dem Serail (20321).

ITALY

Rome, Teatro dell'Opera: First opera of the season is a little known work by Rimsky Korsakov, La sposa dello zar, in co-production with the Washington Opera, conducted by Mstislav Rostropovich and directed by his wife, Galina Visnevskaia. The cast includes Dimitr Petkov, Sylvie Valaire and Lajos Miller (46 16 56).

Turin: Teatro Regio: new production by Gianfranco de Bosio of Siegfried, sung by Gerd Brenneis, Graham Clark, Boris Bakov, Heinz Klaus Ecker and Ortrun Wendel, conducted by Zoltan Pesko and designed by Attila Kovacs (548 000).

Naples: Teatro san Carlo: First production of season (250th anniversary of theatre's founding) is Roberto Devereux, written by Donizetti for the San Carlo, and first given here on October 29 1837. Cast includes Katia Ricciarelli, Alberto Cupido and Martha Senn, conducted by Gustav Kuhn (417144).

Florence: Teatro Comunale: Zeffirelli production of La Boheme, with Mirella Freni, Cecilia Gasdia, Chris Merrit and Jonathan Summers, conducted by Carlos Kleiber (2779236).

NEW YORK

Metropolitan Opera (Opera House): Marek Janowski conducts John Dexter's production of Die Entfuehrung aus dem Serail with Zdzislawa Donat, Erie Mills, Gosta Winbergh and Matti Salminen. It joins Fabrizio Melano's new production of Il Trovatore, conducted by Richard Bonynge, with Joan Sutherland, Fiorenza Cossotto and Luciano Pavarotti; Franco Zeffirelli's production of La Boheme conducted by Julius Rudel with Roberta Alexander and Brian Schexnayder; and Franco Zeffirelli's production of Tosca, conducted by Christian Badea with Eva Marton, Sherrill Milnes and Italo Tajo. Lincoln Center. (362 6000).

WASHINGTON

Washington Opera (Opera House): Madama Butterfly conducted by Guido Ajmone Marsan with Yoko Watanabe in the title role joins Romeo et Juliette conducted by Cal Stewart Kellogg, featuring Angela Maria Blasi and Neil Wilson in the title roles. Kennedy Center (254 3770).

Theatre

LONDON

Separation (Hampstead): Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production (722 9301).**The Rover** (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. Plays in repertoire with the Chernobyl play, Sarcophagus, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in (236 5568/638 8891).**A Man For All Seasons**(Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren (836 8888).**Antony and Cleopatra** (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the remance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom (839 2244, CC379 6131/240 7200).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes (628 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good (379 5399).

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray (930 9832).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale (928 2252).

NETHERLANDS

Amsterdam: Garden Hotel Theatre. Lord Greystoke Productions presents The Woolgatherer, a modern comedy by William Mastrosimone directed by John Hartnett (Wed to Sat) (64 21 21).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match (239 6200).

Les Miserables (Broadway): led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped up silly plot (586 6510)

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British (947 0033).

The Mahabharata (BAM Majestic): Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3 (947 5850).

TOKYO

Kabuki (Kabuki-za). The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Newcomers may find one play enough but the first-timer's one-act ticket on the fourth floor is not good value. Sightlines are poor and there is no English earphone guide. Instead, purchase a third floor ticket. Kabuki-za, near Ginza (541 3131).

Starlight Express. The original London producion in an ideal setting - an 10,000-seater arena. National Stadium Yoyogi, near Harajuku. (359 1166).

Takarazuka All Girls' Revue: Musicals by this unique Japanese phenomenon in which the women play male roles in the antithesis of Kabuki. For visitors this is an essential part of the Japan cultural experience. With typical Japanese earnestness and innocence and without a frisson of camp, the lavish stagings and huge cast have to be seen to be believed. This is the final appearance of one of the most popular stars, Saori Mine, promising an even more spectacular show than usual. Detailed English programme available. Takarazuka Theatre, Hibiya, near Ginza (591 1711; 201 7777).

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery: the Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissent ever since it came into the nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal walls Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neodeco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Petit Palais, Ave Winston Churchill; **Musee d'Art Moderne de la Ville de Paris,** Ave President Wilson. Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are El Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne. In the Petit Palais is El Greco with a vast visionary Baptism of Christ, Velazquez with a portrait of Philippe IV in his hunting clothes, and Goya with a portrait of Marie-Louise in a black-lace mantilla. Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. But there is also Juan Gris, and Miro, Dali and Tapies. Both exhibitions are closed on Mondays and both end on Jan 3.

Grand Palais. The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Ends Jan 4.

Galerie d'Art Saint-Honore. Landscape in the Flemish and Dutch Schools. Light and colour change but the painter's pleasure in recording them never varies. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey are represented in paintings on copper plates or wooden panels of unassuming proportions but in all the perfection of their art. 257 Rue Saint-Honore (42601503). Ends Dec 4.

Musee des Arts Decoratifs. A King's Table: some 400 pieces of 18th century silversmith's work from the court of Denmark conjure up the glitter and magnificence of the Service a la Francaise. For the kings of Denmark, as for the rest of Europe, Versailles represented the ideal court setting and they ordered tureen and service dishes, cutlery and candlesticks from the greatest of Parisian silversmiths. The ensemble is made even more precious by the disappearance of the French Royal collections, melted down repeatedly to pay for ruinous wars and at the approach of the Revolution. 107 Rue de Rivoli (42603214). Closed Mon and Tue. Ends Jan 3.

WEST GERMANY

Munich. Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 190 sculptures, some larger than life, and about 60 paintings of sculptures by 51 artists. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Ends Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: more than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

Berlin Galerie im Rathaus Tempelhof, Tempelhoferdamm 165. Gunter Gauss paintings, drawings, etchings, lithographs and sculpture - a 150 work retrospective celebrating his 60th birthday

Continued on page 21

ARTS

Cinema/Nigel Andrews

Caught up in a web of hoax and intrigue

House of Games directed by David Mamet.

A Month in the Country directed by Pat O'Connor

Manon des Sources directed by Claude Berri

Friendship's Death directed by Pet Wollen

Surrender directed by Jerry Belson

Creepshow 2 directed by Michael Gernick

David *Mamet's House Of Games* is probably the most electrifying movie about hoaxes ever made: chiefly because the filmgoer himself is chief hoax victim.

When attractive, successful psychiatrist Dr Margaret Ford (Lindsay Crouse) falls among gamblers and *con men in darkest* Seattle - aiming to save a murder-threatened patient by interceding with the Mob to whom he owes money - we first egg her on. We are right behind her as she squares up to gambling-den boss *Mike* (Joe Mantegna), and gives as good as she gets in hard-boiled dialogue ("Let's talk, turkey, pal"). *But Mike, though* agreeing to write off the debt, has favours to extract in return. And soon the good lady doctor, in granting them, is drawn into the spider's-web world of scams, con and gambler's tricks: becoming an accomplice - willing or not - to fraud, robbery and finally murder.

If I revealed more of the plot, I would be sat upon by a thousand angry FT-readers complaining that I had ruined their fun. So my lips are sealed. Suffice it to say that up until the final minutes nothing, but *nothing*, in *House Of Games* is what it seems. Surprise follows surprise, twist succeeds twist.

Playwright Mamet - here making his directing debut after scriptwriting forays on *The Verdict* and *The Untouchables* - creates an American dreamscape contoured with the same gleeful cynicism and peopled with the same wired-up hustlers we have met in his plays (*American Buffalo, Glengarry Glen Ross*). "It was only business - the American way!" says Mike's weaselly fellow conman (Mike Nussbaum) *after the team* have conned *our* heroine out of her first 800-dollar cheque. And as the trail of deceit and counter-deceit continues, and the carpets are constantly pulled out from under the cast's and the audience's feet, Mamet's city becomes a grimly funny microcosm of America on the make and on the take.

It also grows, thanks to the movie's subtle layerings of meaning into something much more. From the start Crouse's well-buttoned, blonde-cropped career lady is a woman secretly in search of excitement: a *shrink* needing to expand her own shrinking world. "You need joy" *insists her elderly Viennese-born* mentor Lilia Skala - and later tells her, "When you do something *unforgivable, forgive* yourself." Thus a young lady given the dangerous licence to jettison guilt meets a group of gentlemen with no guilt to begin with, and Mamet's wonderful battle-to-the-death in a moral duty-free zone begins.

In style, the movie is like a shadow-strewn Hollywood thriller of the 40s that has been remade by Robert Bresson. It has the kick and verve of popular cinema, but the performances are sculpted, surreal, at times even hieratic. Mantegna's Mike stands and delivers, high priest in the dark wonderland of his own "House of Games." Crouse's heroine is suave, poker-faced and magnetically stylised - an Edward Hopper portrait wired for speech. And "asides" in the script are often spoken out loud, with shameless artifice, as if we were in a theatre. But then nothing in this original, witty, darkly ingenious film is what it seems: least of all its notional resemblance to any other movie.

*

After the high-volt electricity *of Mamet's film, Pat O'Connor's* *A Month In The Country* is like a pastoral parable that has been left outside in the damp too long, causing its batteries to go flat. Simon Gray's screenplay, from a novel by J.L. Carr, throws together two scarred World War 1 veterans (Colin Firth and Kenneth Branagh) in a Yorkshire village in 1920. Firth has been hired to uncover a mediaeval *wall painting in the church*, Branagh is excavating a nearby grave. Both work away through *the summer, disturbed at times* by their memories and traumas - shell-shock victim Firth has a twitch and stammer, the lonely Branagh was cashiered for homosexuality - but also finding a kind of fellowship in them.

Also flitting in and out of view are the sour-tempered Vicar (Patrick Malahide), his young wife (Natasha Richardson) whom Firth falls for, and sundry and assorted villagers.

The trouble with this village, though, is that it exists not in Yorkshire, nor in any other county, but in allegory-land. No characters or actions in the movie have any life independent of their symbolic functions. All too clearly, the two ex-soldiers scraping away at the masonry of the past are emblematically excavating their own - and their country's - wounds. All too clearly the vicar and his wife symbolize the obverse sides of love, the austerely divine and the tenderly human. And in case we are slow to pick up on the post-WW1 "God is dead" hints, we have an agonized Firth screaming at the church in one scene, *as* Sunday prayers boom mellifluously out from it, "God? What God? There is no God!"

Director O'Connor shows flashes of the quirky compassion that lit up his *Cal*, and Firth and Branagh strive to insert life and feeling into the coats-on-sticks masquerading as central characters. *But ultimately A Month In The Country* feels as tired and second-hand as its title: two *hours spent in elegaic* remembrance of old wounds in a corner of an English field that is forever yesterday.

*

More *country matters*, this time French, in *Manon Des Sources*. Those of you who were knocked sideways by *Jean De Florette* - that sumptuous Pagnol-based movie-soap in which nasty farmers Yves Montand and Daniel Auteuil wrought the tragic downfall of nice farmer Gerard Depardieu - are probably waiting to be knocked sideways by this companion-piece sequel, based on the second part of the *same* Pagnol book.

Unfortunately you will still be waiting even when the movie is over. Not only does director Claude Berri have a duller portion of Pagnol to tell this time round: the wearingly repetitive vengeance ploys of Depardieu's now grown-up daughter Manon (Elizabeth Beart). But the movie *is also stiff with melodramatic* contrivance, creaking dialogue and much choral "Oohing" and "Aahing" from the local farming populace. (Their principal crop must be rhubarb).

Worst of all is Mlle Beart as Manon. Our now 18-year-old heroine has apparently become a wild mountain girl, alluring of aspect, who leaps around the rocky hills wearing animal hides, skinny-dipping in pools, and generally behaving as if she has just come from understudying Raquel Welch in *1 Million Years BC*.

Amid the ruins of a once promising movie enterprise, only Yves Montand stands forth - nobly playing his soap-opera revelations and his deathbed scene as if they were true tragedy. The rest is silence: or certainly should have been.

*

"I can't accept subhuman status just because I'm a machine" declares the android from another planet (Tilda Swinton) in *Friendship's Death*. Written and directed by film-maker and *theoretician Peter Wollen*, this sci-fi fantasy comes hurtling towards you spiked with messages like a menacing sputnik. Between moments of surreal fun and games - who said semiologists had no sense of humour? - *Wollen's close encounter* between a lady alien and a British war correspondent (Bill *Paterson) in strife-torn Jordan*, 1970, impales you with such questions as the following. How important is the big toe in the oppression of women? And is there a parallel tragedy of dispossession between extraterres*trials and Palestinians?*

Cinematically, this *ET* for the thinking classes is not quite stimulating enough. Early on, long static dialogue scenes, shot on a shoestring, make one wonder *if TV* or radio would not be a fitter medium. And later attempts to enliven things, and expand the film's vision, with video sequences are somewhat too little and certainly too late.

*

The week's other movies inadvertently summon up the shade of Lewis Carroll. Jerry Belson's *Surrender* is a "Will-you-won't-you-won't-you-will-you?" comedy about love, starring Sally Field and Michael Caine as two nervous middle-agers wondering whether to take the romantic plunge. For all its teasing, the film is as soggy and predictable as a TV sitcom. *Creepshow 2* is a "Will-you-walk-a-little-faster?" horror film: three Stephen King stories of frightening tedium, graced by long-in-the-tooth stars (George Kennedy, Dorothy Lamour) with absolutely nothing to get those teeth into.

Joe Mantegna and Lindsay Crouse in "House of Games"

Alastair Muir

Alan Opie, Della Jones and Patrick Power

The Barber of Seville/Coliseum

Max Loppert

When Jonathan Miller's opera productions are good, they are very very good, but ... His new Rossini staging for English National Opera seems to me a limp piece of work, one of the limpest he has produced in the medium.

It is, in a word, inert. The problem is not one of his having "done too much" to the opera, of having foisted on to it overburdeningly ingenious ideas. The infusions into this *Barber* of Venetian *commedia dell'arte*, about which so much has been heard in recent Miller interviews, are at best a moderately pretty device, at worst a touch of mildly embarrassing tweeness (those children!). But their effect is entirely decorative; whatever the good doctor might have thought or hoped, there is no scraping away of traditional barnacles, no addition of anything particularly useful to the comedy.

If it is agreed that a Rossini comedy is at its most exhilarating when worked up as an ensemble operation, the skilful interaction of a team of brilliant virtuosos, vocal and instrumental, with producer and conductor as shaping intelligences, Wednesday's opening night was not really a Rossini comedy at all. Except where individually forceful, experienced Rossinian participants were able to shake some life into it, this was a *Barber* without focus or centre, and it lagged and dragged with woeful heaviness. For this Mark Elder, a Rossini conductor musicianly in choice of moderate tempos and in exploration of detail but dull-spirited about rhythmic accent, must share some of the blame. It is a full edition of the score that the company is (rightly) using, and it seemed to last a good deal longer than the recorded three hours of clock time.

There are some attractive notions in Tanya McCallin's designs, some laugh-inducing felicities (though also some self-consciously over-elaborate verbal inventions) in the new Anthony and Amanda Holden translation. *For the rest, the strengths of the* show are drawn very largely from Della Jones's gloriously accomplished Rosina, surely the most sparkling of voice and manner currently before the public. The runs, roulades, and newly devised ornaments are tossed off with a lightness that is at once classically elegant and superbly witty; in moulding of tone-colour, word, facial expression, gesture, Miss Jones is now a Rossini virtuosa beyond compare. It is wonderful to have her back at the Coliseum; I shudder to think what the evening might have been like without her!

Alan Opie, engaging as ever, and vocally also in fine form, makes here a rather soft-centred, cuddly figure of Figaro; the necessary streak of toughness is missing. Patrick Power, though suffering a bad chest ailment, sang a pleasant Almaviva. John Connell's wax-moustached Basilio is *promising; Rodney* Macann's Bartolo is loud, woolly-toned, and desperately unfunny. Jane Eaglen as Berta takes the top line of the finale ensembles with enjoyable ease, which goes a little way toward enlivening the patches of weak English farce being played on stage.

J.J. Farr/Phoenix

Martin Hoyle

Ronald Harwood's new play is the straightforward tale of a faith shaken, an idol with feet of clay, *one who betrays cherished* ideals when under pressure and disillusions his admirers; except that the faith is atheism, the ideals abandoned are rational, and J.J. Farr is an ex-priest who lapses into religion when held hostage by Muslim terrorists.

The mood is more Sparkish (Muriel) than Greene (Graham). *The five residents of* the Buckinghamshire country house, administered by a trust to house Catholic clergy who have lost their belief, include a wrinkled exquisite who recalls the Queen *of Portugal over his embroidery* and sighs, "When I made the sign of the cross, ballerinas all over Europe turned green with envy." Hugh Paddick's fastidiously judged old episcopal tortle scrupulously avoids camp, is funny and oddly touching. And there are signs that much of the dialogue has an oblique humour, a *sly lightness, that is bulldozed* over in Ronald Eyre's production, either through ponderous attack (Trevor Peacock's past pastor, troubled with the sins of the flesh) or sheer woodenness (Dudley Sutton, determined not to overdo the epicene and ending up nondescript.)

We meet them awaiting Farr, the sixth resident, just released from terrorist captivity and described as the "well-known militant atheist" or "the distinguished moral philosopher." Albert Finney, beefy face drawn, eyes dazed from some indescribable ordeal, staggers on. Farr has been declared deranged by doctors. *On his back festers a wound* in the shape of a cross; his nights are rent by indecipherable shrieks. His status as the triumphant iconoclast, the dismantler of God, is shaken when he speaks of "joyous struggle, glorious victory;" and is demolished in the eyes of these earnestly articulate unbelievers when he *makes the sign of the cross.*

The first act climax arrives with the damp squib of the revelation that during the brutalities that he suffered with other hostages he attempted the priestly office for a dying colleague. This arouses the disgust of arch-rationalist Lowrie, transformed from admirer into adversary, who *thereafter wrestles for Farr's* non-soul.

There is nothing new or trenchant in the *humanist-religious* confrontation as here staged, only an amazing number of failed witticisms, an occasional theatrical contrivance and two plum parts, only one of which makes complete sense. This is Lowrie, whom Bob Peck makes both aggressive and vulnerable, happy atheism crumpling into *bewilderment as Farr reveals his* spiritual regeneration. Mr Finney gives a powerful performance, though of what I suspect even he may not be quite sure. What starts out as the theatrical equivalent of a "good read" - solid, substantial, attention-holding - dwindles away.

Designer Jocelyn Farr's monastic room with *invisible walls*, are lit by Rick Fisher in the evocative tones, from morning to night, of English summer.

Alastair Muir

Albert Finney and Bob Peck

Into the Woods/Martin Beck, Broadway

Frank Lipsius

The local television commercial for *Into the Woods*, the latest collaboration of composer *Stephen Sondheim and author/director* James Lapine, promises an enchanted forest in the rich colours and skip-along spirit of a Disney cartoon. But Tony Straiges's dessicated set at the Martin Beck looks as if the forest had been through a severe drought.

The whole production is plagued by our expectations of what a fairy tale should be compared with the composer's and author's ideas. On the one hand the stories of *Cinderella, Little Red Riding Hood* and *Jack and the Beanstalk* are retold, and on the other the veil of Disney-like wonder is self-consciously lifted to expose the rich psychological vein in the characters. The creative tension that elevates the production above a Radio City *Music Hall extravaganza* produces a largely successful first act before straying too far from its inspiration in the second.

Lapine's hybrid story incorporates the well-known tales into a new plot with grace and respect for the originals. To remove a curse from a neighbouring witch, a baker and his wife (*new additions to Grimm*) have to acquire Cinderella's slipper, a lock of Rapunzel's hair, and Little Red Riding Hood's cape to feed the cow belonging to Jack of Beanstalk fame. The characters outgrow their familiar roles - Little Red Riding Hood exchanges her cape for a fox stole to the tune of the savvy song, "I Know Things Now:" *chasing* down the *glass* slipper, the baker's wife pesters Cinderella to tell her more about the Prince and less about the party.

The young and energetic cast invigorates the production. The most familiar, Bernadette Peters as the witch, jolts the production into action whenever she appears. Chip Zien makes a meek and diligent baker, paired with Joanna Gleason as his wife who *has the wits to get the objects* needed to break the curse. Kim Crosby is a picture-book Cinderella perfectly matched to Robert Westenberg's handsome Prince - who doubles as a sexy predatory fox for Little Red Riding Hood, whom Danielle Ferland makes all blushing youth until experience turns her into a gussied-up *sophisticated young lady.*

Sondheim's score mixes hummable melodies with more strenuous *Peter and the Wolf* passages to convey the plot and characters passing through the story. The tripping and staccato lines that work so well in the last Sondheim-Lapine collaboration, *Sunday in the Park with George* seem anachronistically contemporary here.

The second act goes off the track altogether when the widow of the giant killed by Jack comes to claim revenge. In the resulting chaos, the baker's wife has an affair with Cinderella's Prince: he dismisses her with the memorable line, "I was raised to be charming, not sincere." This threat to the group poses an interesting philosophical question: *should Jack be sacrificed to* save the others? But the easy solution of trapping her in tar undermines the characters' original charm and makes the set look like the result of an unnecessary scorched-earth policy.

Howells/Festival Hall

Paul Driver

For no evident special reason the Hatfield Philharmonic, Harlow, and North East London Polytechnic Choruses presented an evening of the late Herbert Howells's music at the Festival Hall on Tuesday. The programme of four mostly choral items was performed with commitment and vitality by the players of the *Nemano Orchestra* and the hundreds of singers all under the experienced direction of Michael Kibblewhite.

They began with the *Te Deum* written for King's College Cambridge, and revised for full orchestra in 1977. It is a piece, like all Howells's, of at the least sterling technical accomplishment, and relies for its emotional effect on the listener's appreciation of firmly bedded counter*point, monumental sonority*, straightforward word-setting, and a cleanly shattering acoustic climax at the end. But the *Te Deum* struck me as vacuous, impossible to engage with in the concert hall, and about as musically interesting as sitting in the rain.

Christopher Palmer's programme note implied that Howells's Concerto for Strings of 1938 could be spoken of in the same breath as Elgar's *Introduction and Allegro* and Vaughan Williams's *Fantasia on a Theme of Thomas Tallis*, but its three craftsmanly movements were perfectly forgettable and bewilderingly boring.

Hymnus Paradisi, Howells's best-known work, made up the entire second part of the concert, but *before it we heard the second* of his two secular cantatas, *A Kent Yeoman's Wooing Song* (1930), set to jolly and rustic seventeenth century words by Thomas Vautor and Thomas Ravenscroft. It began with a section that largely consisted of a soprano solo (the wifely Miriam Bowen) - there were just the *occasional orchestral punctuations*, and one held out brief hopes of some real originality and modern purpose on Howells's part. But his wonted rumbustiousness and quaintness rapidly returned to prominence and the cumulative force of the none-too-brief cantata was numbing.

Saleroom/Antony Thorncroft

BR silver pays off

The British Rail Pension Fund was the only major financial *institution to have the courage* to test out art as a alternative investment opportunity. It switched a *tiny proportion of its* cash into art in the 1970s at a time when the Stock Exchange was plummeting and inflation was soaring. It is now selling off some of its collection and chance has determined that it is doing so during the next *stock market* slide.

Judging by the prices paid at *Sotheby's yesterday for the* 28 lots of silver it is off-loading the Fund's administrators of a decade or so ago deserve a small round of applause. Silver which had been bought for £246,117 in the '70s sold for £1,298,875, representing a very reasonable return indeed. The top price was the £253,000 paid by the London *dealer Spink for a pair of Queen* Anne silver gilt salvers of the highest quality which had been made in London by Simon Pantin in 1713: the Fund had bought them for £30,000 in 1978.

All the early silver did well. A pair of Charles II ginger jars and covers, highly decorated with acanthus and palm foliage, sold for £209,000 to another London dealer, A.D.C Heritage as against a £28,600 price in 1979, and How of Edinburgh, actually a *London* dealer, acquired for £159,500 a pair of Charles II candlesticks by Jacob *Bodendick, 1667, which* the Fund paid £36,300 for ten years ago. The greatest appreciation was *shown by a pair of* Charles II caskets made by Ralph Leake in 1673: Spink bought *them for* £82,500. In 1976 they cost the Fund just £7,700.

While the 17th and early 18th century *silver* went far above estimate some of the 19th was less popular. The Macready Tes*timonial*, a large centrepiece by Benjamin Smith showing the recipient surrounded by fawning admirers, presented to the famous actor/manager to commemorate his management of *the Theatre Royal Covent Garden* in the seasons 1837-39 went for £25,300. The Fund had paid £9,900 for it in 1976, which makes it a poor buy.

The total from the silver was £2,010,052 with less than six per cent unsold. The high estimate had been around £1.6m. Obviously this market, which is dealer dominated, has not been subject to the speculative collector buying which has made other *sectors so volatile*. There has been just a steady appreciation. The only weak area seems to be massive centrepieces, once favoured by Middle Eastern buyers.

The first dispersal of the Pension Fund's art, a sale of Old Master prints, was in the summer when market confidence *was at its peak and it made* £2m at Sotheby's from 98 prints that had cost it £641,000; a fair return on its investment but one that, of course, produced no dividends. In December it is selling off Japanese prints, which should produce almost £1m.. On Wednesday it offered at Sotheby's one of its best paintings, a Stubbs horse picture which had cost it £60,000 in 1975 but which failed to attract more than an *unacceptable bid of £100,000.*

The buyer of Van Gogh's "Irises" for a record \$53.9m (*£30m*) at Sotheby's in New York last week remains a mystery. The most likely purchaser was *thought to be from Japan*, with Australian Alan Bond and Greek Stavros Niarchos possibilities. But now it is *believed that* Sotheby's is giving the buyer five years in which to pay off the *vast sum. This produced* speculation that Baron Thyssen, who sits on the board of Sotheby's, *could be the buyer, but although* he bought two paintings at the auction he is not the new owner of "Irises".

Arts guide

November 20-26

Continued from page 20

ITALY

Roma, Calcografia Nazionale (Via Dela Stamperia 6). Towards Utopia is a virtuoso collection of photographs of Hungary in the years between the wars. Four women who learnt their techniques in Paris, at the Bauhaus at Dessau, and in Berlin give an evocative and moving account of the lives of Hungarian peasants and urban poverty, as well as a cheerful group of actresses, middle-class families, and several of the composer Bela Bartok. Ends Nov 30.

Rome, Chiesa dei Complesso Monumentale del S. Michele: Figurative art in Hungary between 1870 and 1950. Paintings, drawings and sculpture in the vast de-consecrated church in this fine riverside complex. There is no unifying current *but a series of fiercely individual* works, often with echoes of foreign influences - Degas, Renoir and Cezanne. Ends Nov 30.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle *painting developed* in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

Art Institute. 48 key Impressionist and Post-Impressionist works from *the Courtauld* collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam, Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main *galleries*, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam Historical Museum. Contemporary photographs, utensils, *menus and registers chart the rise* and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Amsterdam Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded *scenes of Hobbema*. Ends Jan 3.

Rotterdam Boymans-Van Beuningen Museum. From Ingres to Cezanne presents a rich choice from the museum's large collection of 19th century French drawings. Ends Nov 29.

Leiden Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagi*nation and knowledge. Ends Jan 17.*

SPAIN

Madrid. Mark Rothko 1903-1970 includes 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Krugier Gallery. *This new* gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Azabu Museum. Edo Pastimes: this exhibition of screens, scrolls and paintings with works by courtesans in the old Yoshiwara Pleasure Quarters evoke the colourful leisure pursuits of pre-workaholic Japan. Ends Dec 26. Closed Mondays.

Fuji TV Gallery. Contemporary Artist: works by Tadanori Yoko, Japan's best-known modern painter and graphic artist, Super-eclectic with references to Buddhist art, Warhol, Bosch, Munch, in typical Japanese indifference to contemporary art. Fuji TV complex, Akebonobashi. Ends Nov 28. Closed Sundays.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Friday November 20 1987

US bases in Europe

THERE IS, in Europe, an increasing degree of southern discomfort at playing host to US bases but southern Europeans will do their northern counterparts, and in the end themselves, no favour if they precipitate a general reduction in US forces from the continent.

With the imminent signing of the treaty to remove medium range nuclear US and Soviet missiles there is renewed focus on the balance of conventional forces in Europe. There is also renewed concern by most north European members of Nato that the US should not withdraw any of its 354,000 soldiers, sailors and airmen based in Europe, except as part of a reciprocal pull-back of Soviet forces.

This concern is evidently not shared by the countries that make up Nato's southern flank, with the signal exception of Italy which is now taking a wider view of its defence responsibilities. Four countries want to renegotiate the terms on which they host US forces: Spain and Greece want cuts while Turkey and Portugal want more money for the same number of servicemen.

The US still has some 700 bases around the world but it had three times that number before technology made it possible to scale down its military presence abroad and local politics made it essential. For instance, the advent of nuclear propulsion and long-range nuclear missiles will soon allow the US to base all its submarines at home. The advent of satellite surveillance and eavesdropping has also made many US listening posts around the rim of the Soviet Union redundant. Rapid transport has enabled many US bases to be turned into simple repositories of heavy equipment to which troops would be flown, in times of crisis.

Local commanders

Nor does the US have the freedom of manoeuvre it used to enjoy. The last "sovereign" base it had was in Panama, and ironically the most untrammelled base rights it now has are probably on the tip of Cuba, where it has an indefinite lease on the Guantanamo base which was signed before the Castro revolution.

US bases in Europe are nominally under local commanders and can be used only for Nato "out-of-area" operations on the say-so of host governments. Host governments, particularly in southern Europe, have tended to revise US base leases every five or so years, tightening terms each time. After the Soviet invasion of Afghanistan and the start of the Gulf war, the US acquired base rights for the first time with such countries as Oman, Somalia and Kenya, but these were of a very tenuous kind.

The strategic need for a far-flung US base network is less than it was. The US military trumpeted the drive by the Soviet Union in the 1960s and 1970s to acquire a "blue water" navy and to deploy it in the seven seas. It is now quietly conceding that, for a reason that it finds hard to fathom, Soviet fleets are staying closer to home ports. This partly explains why the US has been ready to draw so large a Gulf force from its regular fleets.

Intense annoyance

For reasons of geography,the US needs bases in Europe in a way that the Soviet Union does not but elsewhere Soviet bases tend to be fewer and smaller than US ones. This is the case with one of the few well-established Soviet bases abroad, at Cam Ranh Bay in Vietnam. It is cited in evidence for the continued US need to keep its much larger Subic Bay base in the Philippines, the future status of which President Corazon Aquino is putting to a public referendum.

However, the US also now has less money to spend on acquiring or maintaining base rights. To the Administration's intense annoyance, Congress has steadily cut the foreign security assistance budget from more than $9bn three years ago to less than $8bn this year with more cuts in prospect. The problem is partly of the Administration's own making. It earmarks nearly half such security aid to Israel and Egypt which do not host any US troops.

Dollar demands are understandable from Portugal and Turkey, the poorest Western allies but Spain and Greece should beware in implying so clearly that they regard common Western defence as less vital than domestic political considerations or regional quarrels. Neither country borders the Soviet Union as does Turkey alone on the southern flank. Spain and Greece may prompt the thought in Washington that they are less than vital to the US or Nato.

Training for the unemployed

THE BRITISH Government's plan to rationalise provision for the long-term unemployed by introducing a unified scheme is welcome as far as it goes but it leaves many of the most important questions unanswered. Ministers will have to show how they plan to provide more quality training without additional resources, and how the private sector will be encouraged to play a larger role.

The core of the unified scheme, which will provide 600,000 places, will be created by the merger of the new Job Training Scheme, which offers the long-term unemployed a mix of training and work experience, with the Community Programme, which offers temporary work.

The Job Training Scheme has been a dismal failure in terms of the numbers of employers and participants it has attracted but the ideas behind it should not be discredited by the initial disappointments. It is the first concerted attempt to get the private sector involved in provision for the long-term unemployed. It attempts to link provision more closley to labour market needs and it aims to provide the long-term unemployed with structured, individualised training, within a commercial environment.

Slightly alarming

These ideas should be integrated within the unified scheme the Government plans to launch next September, following a white paper early in the year but equally the Government must learn from the mistakes that were made in the expansion of the new JTS. While the rationalisation plan is coherent in outline some of the most important details of the unified scheme, which will determine whether or not it is a success, are yet to be worked out.

One reason advanced for the failure of the new JTS is that trainees are paid an allowance little more than their benefits. Trainees on the unified scheme will be paid an allowance equivalent to their benefits, plus a premium to cover travelling expenses and to provide some incentive for people to take up places.

The level of this premium is yet to be set: if it is pitched too low people may not be attracted to the scheme. Moreover single people, who are currently paid £67 a week for participating in the Community Programme, will clearly be worse off under the "benefit-plus" formula. It is slightly alarming that the Government proposes such a major change in the way that trainees will be paid without detailed research on who will win and who will lose, and what level of payment will be needed to attract them.

Extra funding

The Government believes that the main incentive for people to take part will be the improved training which will be on offer. Yet it is difficult to see how the MSC will be able to provide more training, as well as a decent premium in addition to benefits, without either more resources or fewer people taking part.

One possible source of extra funding could be the private sector. Companies must be encouraged to take up the challenge of playing a role in designing work and training programmes to ensure they are tailored to labour market needs.

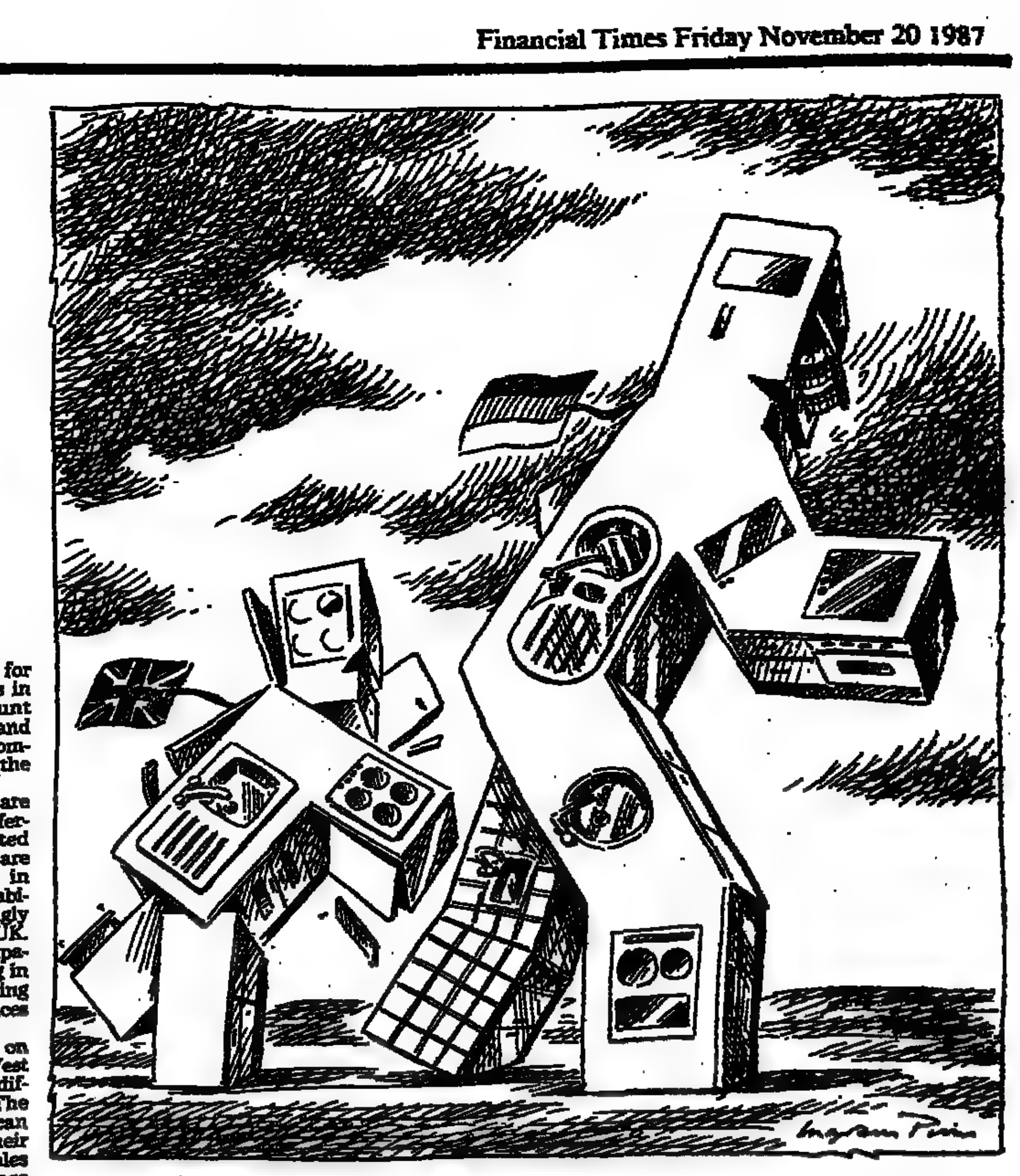
A significant disincentive for private sector involvement is that projects can only be designed to provide benefit to the community. This must remain an important criterion but the Government will have to take a more open view of the mix between benefit to the community and benefit to enterprise if more companies are to take on the task of running projects.

The Government also hopes that employers will offer more work placements to provide adults with a mix of work and training. It expects employers to ease the conflicting demands on resources by financing some of the cost of training for the adult unemployed.

Yet many employers argue that they are already doing enough to provide work placements for youngsters under the Youth Training Scheme. The number of work placements needed to maintain YTS will decline as the number of young people entering the labour market tails off in coming years but, as yet, it is too optimistic to expect a rush of employers coming forward to offer work placements without adequate incentives.

Now the heat is on in the kitchen

Ralph Atkins on the contrasting approaches of British and West German manufacturers



"The use of computers is very important in our plants. Orders go into the computer and production is organised in the most efficient way. Every day at 9am we know how many units were sold the previous day and whether we have made a profit." (Hans Grabs, head of work planning at Wellmann Kuchen, Enger, North West Germany.)

"The Germans tend to produce very small batches of kitchens and they need highly sophisticated computer machinery to enable them to do that. We mass produce and do not need computers because the machines are running all day." (Mike Rumak, production director at Ram H.I. based in Sowerby Bridge, West Yorkshire.)

THERE IS a simple rule in economics: the law of comparative advantage. It states that each country should concentrate resources on manufacturing those goods where it has an advantage over competitors.

Britain, however, has once again been shown to be waiving the rules.

A National Institute of Economic and Social Research report, published yesterday, makes a comparative study of an industry where Britain should be able to match the best in the world.

It meticulously examines the manufacture of kitchen cabinets in nine British companies and eight West German plants. The techniques required include skilled workmanship and design but not a high degree of precision and technological complexity - a combination perhaps ideally suited for a medium skill economy like the UK.

Yet kitchen cupboards and units in Britain are down-market, standardised and manufactured with relatively basic technology. By comparison, West German manufacturers are in a different league. There is heavy investment in machinery, training and production planning; the products are high quality and sell around the world.

The report is the second in a series planned by the NIESR. It follows a similar study of metal-working companies, published in 1985, which pointed to an alarming West German productivity advantage and the overriding importance of skills at supervisory and shop floor levels.

In its catalogue of the failings of British companies in the kitchen furniture industry, yesterday's report finds:

- Acute skills shortages exacerbated by superficial training programmes. Three years broad-based formal training is the norm for West German apprentices. In Britain even the government's Youth Training Scheme is spurned by most companies.
- Restricted use of computers. There are doubts in Britain about their use for production scheduling and a lack of technological expertise.
- Inadequate machinery made by local manufacturers. British companies rely heavily on imported machinery. Equipment is frequently out-dated and the lack of in-house expertise means lengthy breakdowns are common.

The result of such weaknesses is that output per employee in West German plants is twice that in Britain for some processes. Productivity in the West German furniture industry as a whole is 66 per cent higher. West German manufacturers export about a third of their output; Britain's companies manage only 4 per cent.

The conclusions turn bitter the sweet-smelling profits and growth record of many British kitchen furniture manufacturers.

> **'West German companies aim to survive with a name and a tradition as a sort of institution. British companies are concerned with making profits.'**

Underneath relative profitability, the industry is being threatened on one side by less developed countries able to exploit low cost labour, and on the other by the West Germans who offer high quality products at fiercely competitive prices.

There are worrying implications if the yawning productivity gap found between kitchen furniture manufacturers is typical of British industry. Profitability cannot race ahead of productivity indefinitely unless labour costs are cut, particularly when European markets are being opened up and tastes are becoming more cosmopolitan. Existing upwards pressures on wages will be crippling if competition from South East Asia and other low-wage economies becomes aggressive.

British and West German kitchen furniture manufacturers offer a wide spectrum of products for the consumer. At the top end are the West German manufacturers like Miele and Poggenpohl. The products are manufactured with the best materials to stringent specifications. Prices for complete kitchens run well above £10,000 but are reliable and durable.

At the other end of the market are cheap, flat-pack products for self-assembly. The big players in this game are the discount homestores like MFI, B&Q and Texas Homecare. Prices, for complete kitchens, hover around the £1,000 mark.

Other parts of the market are filled by small companies offering tailor-made, hand-crafted products. In the middle range are companies like Wellmann in West Germany selling rigid cabinets at home and increasingly exporting flat-packs to the UK. And in Britain there are companies like Ram H.I., specialising in flat-pack products but claiming equal quality and superior prices to West German rivals.

Differences in the products on offer by manufacturers in West Germany and Britain reflect different consumer patterns. The British buy kitchens they can take home immediately in their cars - about 70 per cent of sales are flat-pack. Delivery times between manufacturers and retailers are often two days. West German purchase individualised rigid units. Sales are mostly through specialist shops or store departments. Deliveries times run into weeks.

The contribution to the economies of Britain and West Germany is significant. Kitchen cabinets account for 19 per cent of all furniture production in the UK and 23 per cent in Germany and constitute 1.9 per cent and 2.1 per cent of manufacturing employment respectively.

In both countries there is strong competition, albeit at different ends, in a market that is no longer growing rapidly. Kitchens, although affected by fashion to a degree, are not replaced frequently by households. Markets have been swamped by a bewildering and diverse range of products, styles and colours. German manufacturers have been hit further by the strong D-Mark.

Yet there are striking differences in the response to this stagnation in the two countries. The West German companies take pride in excellence and can boast long, distinguished histories. Often they are still run by descendents of the founders.

In Britain the industry has seen in the last few years a wave of takeovers, re-organisations leading names are young companies intent on expanding fast.

"The West German companies have a completely different outlook. Their aim is to survive with a name and a tradition, as a sort of institution," says Ms Hilary Steedman, one of the report's authors. "British companies are concerned with making profits. To them it does not matter who runs it and what the name is - as long as it makes money."

Ram H.I. is a case in point. Based in Sowerby Bridge, near Halifax, it does not disclose sales figures for kitchens. But its parent company, The Spring Ram Corporation, which also sells bathroom furniture, was founded in 1979, went public in 1983 and has seen pre-tax profits leap from £445,000 in 1981 to £7.01m in 1986. Next year it opens a £14m, 472,000 sq ft factory in Scunthorpe equipped, the company says, with some of the most modern machinery in Europe.

Such characteristics reflect and explain many of the findings of the NIESR report. The study examines in detail aspects of production processes and it questions how the vast productivity gap has arisen.

One answer lies in qualifications, training and skills of employees. German manufacturers can boast of an impressive education attainment by their employees - helped by a state school and college system designed to feed pliable workers into industry.

Among kitchen furniture workers on the shop floor, at least 90 per cent had undergone a three year training programme. Apprentices were taking courses as woodworking machinists, they had a broad range of written examinations and a practical examination lasting 12 hours and spread over two days.

At Miele's kitchen plant, sited near Warendorf, about 130km from Hannover, the production line is highly automated with computer numerically controlled (CNC) machinery. Operatives making panels read computer-produced labels coded according to specification.

Good training is vital for the advanced production processes used in the plant. Frequently each item is different, requiring mental agility and an understanding of how the machines work. Yet the volumes are large - a work force of 830 makes up to 90 complete kitchens a day.

West German foremen generally have additional qualifications - often from studying at night school. Maintenance foremen, and many others, hold *Meister* qualifications. Promotion into the works planning department is from the shop floor, strengthening links between management and production line.

The appreciation of production processes extends to the top. At the Meile plant in Warendorf, Dr Johannes Horn, site director, has a doctorate in woodwork engineering.

Another difference shows up in production line organisation. British production organisation is simple and inflexible compared to West Germany. Most companies in Britain use the "batch push" method with production lines geared to making products in large quantities for stock.

Ram H.I. for instance, can make 20,000 panels a day in each of its two factories. Each operator works on batches of about 1,000. Once he is finished, the batch passes on to the next operator.

For this type of operation, says Mike Rumak, production director at Ram H.I., it is cheaper to buy drilling and cutting machines that are reset manually. CNC machinery, is not economical. "We have had numerous companies come to us to try and sell us that type of machine and time and time again I go through the calculations but I cannot justify it," he says.

The advantage of "batch push" is that fewer changes to machine settings are required. The downside is that when extra items have to be rushed through to meet supply shortages, normal production can be disrupted or overtime worked.

The organisation is very different at Wellmann. Customer orders for a week are entered into a computer which determines the materials required. It constructs a production timetable for each operation from the first cutting of the chipboard to loading onto a lorry.

Each day is divided into four two-hour sessions during which an operator has to manufacture a precise quantity of goods with just 15 minutes leeway. For its factory making its "functionia" range of cabinets this can involve up to 5,300 units a day from a range of 250 shapes

Production is geared towards the carcase assembly line where all the parts for units to be produced that day are brought together.

Then there are machinery differences. West German manufacturers have a considerable advantage in the availability of machines for making kitchen cabinets. Whereas in Britain the relevant machine tool trade is virtually extinct, the West German plants can buy from, and maintain close contact with, local suppliers.

The reasons are partly historical. In the 1950s and 1960s, as the use of chipboard became widespread, the West Germans were quick to adapt and evolve machinery to work it. Britain, with a history of craftsmanship in woodworking dating back at least to Chippendale, makes excellent machines for traditional solid wood but not, it seems, for chipboard.

The lessons to be drawn from such comparisons cannot be too specific. The profound productivity differences are symptoms, not causes, of a wider economic malaise.

The picture painted of British kitchen furniture plants is not of an industry in terminal decline: a number of companies are very profitable, and growing fast. Rather, it shows a failure to appreciate what West German industry is achieving and to fight off international competition

Men and Matters

Mark and his market

Perhaps more than most multinational helmsmen, Colgate-Palmolive chief, Reuben Mark, is entitled to look under the weather.

No sooner had he steeled himself to announce a $211m charge that wiped out more than a full quarter's earnings, than the global stock market blew all its fuses.

But Mark's glassy-eyed appearance in London this week was more likely to have been prompted by the combination of jet-lag with a five-course lunch for City analysts, and, just possibly, his predilection for all-night poker.

The Colgate charge, unveiled late last month to cover the wholesale restructuring of management and manufacturing, was greeted with loud applause from shareholders and pundits alike, and rewarded with "buy" recommendations and an all-round ratings mark-up.

And the prospect of recession in the wake of the stock market collapse holds few fears. Consumer disposables, he says, is a comfortably recession-resistant sector. People may postpone plans for fancy bridge work and delay replacing the old washing machine, but most will still brush their teeth twice a day and continue to wash their smalls.

In the novelty-conscious West, Mark has high hopes for a new portion-controlled detergent served up in a sort of jumbo teabag. A new tartar control toothpaste is being gobbled up as fast as Colgate can squeeze it from the factories.

In the more conservative Far East, they remain faithful to one of Colgate's older brands, despite recent hiccups.

"Darkie" black and white toothpaste had been selling for 60 years until some western shareholders raised objections earlier this year to the allegedly racist overtones of its name and the pack illustration of a minstrel in blackface makeup.

With no sign of a blip on the sales charts, and no further objections, Mark reports the name has been adjusted to Dakkie in roman script and a Chinese ideogram which translates to "black man".

Bonn discomfort

Gerhard Stoltenberg, the West German finance minister, is growing progressively hot under the collar over attacks on his economic policy from the Federal Republic's big banks and industrial groups.

Big business was pleased enough with the coming to power of Chancellor Kohl's centre-right government in 1982. But it is now adding to Stoltenberg's discomfort by backing up calls from abroad for more expansionary German fiscal measures.

Kohl and Stoltenberg have already had to put up with some public criticism this month from Alfred Herrhausen, co-chairman of the Deutsche Bank and one of Kohl's closest confidants on economic matters.

But the last straw came this week with a speech in New York by Edzard Reuter, chairman of Daimler Benz, West Germany's largest company, in which he castigated the economic policies of the West in general and Bonn in particular.

Stoltenberg was reported yesterday to be fuming. Reuter is a member of the Opposition Social Democratic Party and close to ex-Chancellor Helmut Schmidt. But Stoltenberg believes his speech could fatally undermine Bonn's efforts to brush off as groundless, economic policy criticism from the Reagan administration.

Soft shoe

It was the shoes that gave the game away. With a lifestyle that used to include fast cars, villas, and yachts, Joachim Schmidt is certainly a man to recognise a pair of snazzy Gucci loafers when he seems them.

Now in custody in Hollywood, Los Angeles, the fugitive foreign exchange broker in the Volkswagen currency fraud case, was interviewed by Stern magazine in a prison, wryly dubbed the "Beach Club".

Asked whether West German detectives were also in on the midnight arrest, Schmidt said he recognised one of his countrymen by his feet. Looking down, he saw that three of the men arresting him - all four were in sports clothes - wore training shoes.

"But one of them had on Gucci shoes," said Schmidt. "I thought at once - he doesn't come from here. He must be from the BKA (Federal Criminal Office)."

Denying reports that his flight had taken him on an exotic route through the Mediterranean and Caribbean, Schmidt, 38, gave little away about his alleged role in the fraud which has cost VW some DM480m (£160m).

Now awaiting extradition proceedings, Schmidt said he was sharing a tiny cell with a cocaine dealer."I do not feel myself innocent," he told Stern about the complex VW affair, though he would have to consider how much of the blame should attach to him.

One thing he is sure of, however. After 13 years of long, though profitable, 14-hour days, Schmidt wants a change from foreign exchange dealing. "I want to get free of this drug," he said.

Trip up

The outcome of the current controversy over the membership of the Commons select committees, which monitor theactivities of the major Government departments, is being anxiously awaited by the 11 MPs nominated to serve on theTreasury and Civil Service select committee.

Until the Commons approves their composition all the committees are in limbo, and in the case of the Treasury committee - which is almost certain to reappoint Terence Higgins, Conservative MP for Worthing, as its chairman - its customary report on the Chancellor's autumn statement is unlikely to be available before Nigel Lawson's judgments are debated on the floor of the House.

Still more worrying for its potential members is that firm arrangements cannot yet be made for a visit the committee is due to make to Tokyo in the course of its studiesof the world's leading financial centres. Their concern is thatany further delay will result in insufficient time forthe visit to Japan before that major event which demands their presence at Westminster - the spring budget.

Some comfort

What is luxury? Well, some might say it is getting a grant of £23,950 from the Economic & Social Research Council to spend a year finding the answer to that question.

Such research is to be undertaken by Dr Christopher Berry of the politics department at Glasgow University.

Berry will not be indulging himself in luxury (whatever that may be), the university says, but will investigate why certain goods within a society are identified as luxuries, when others are regarded as socially necessary.

The research is seen as extremely important and a deeply political question, because the classification of certain goods as luxuries, and others as necessities, implies a particular conception of public order.

Berry will be looking at the question both from the standpoint of political theory and in an historical context, says the university.

The grant has been awarded under the ESRC's personal research grant scheme, which aims at allowing scholars the chance to spend a year undertaking research without the burden of teaching and administrative duties.

Observer

POLITICS TODAY: British foreign policy

And there's another country

By Malcolm Rutherford

Sir Geoffrey Howe: focus of a new self-confidence in Britain's foreign policy

HERE IS a British joke of the kind normally associated with Eastern Europe.

"Why was Margaret Thatcher so kind about Mikhail Gorbachev in her speech to the Lord Mayor's banquet in London on Monday?"

"Because she sees Boris Yeltsin as Gorbachev's Michael Heseltine."

It came, only slightly prompted, from Sir Geoffrey Howe, the Foreign Secretary.

British foreign policy is waking up, jokes and all. It was always likely that Mrs Thatcher would pay more attention to international affairs after her third General Election victory. She is, after all, the senior head of government in the European Community and within the Group of Seven major industrial democracies, come to that. The surprise was that she got off to such a slow start.

The British Prime Minister did not make much of a hit at the first meeting of the European Council that she attended in Brussels after her re-election at the end of June. The French called her a "housewife" and the Community's affairs were scarcely put in order.

Now it looks as if it may be different. There is not only her speech on Monday to go by: some of the ground had been quite carefully prepared over time, and some had prepared itself.

In the 1970s it used to be said, by the now Lord Callaghan of Cardiff among others, that the weakness of British foreign policy was the weakness of the British economy. If everybody thought that you were about to go bust, you were hardly likely to be taken seriously if you presented (say) a peace plan for the Middle East. People may even have wondered what Britain was doing as a permanent member of the United Nations Security Council. Indeed it was remarkable that the rest of the world went on respecting British diplomacy as much as it did. It must have been a close-run thing.

There may be a corollary. If the economy has recovered, then so perhaps has the capacity to make foreign policy. Although a number of other factors must be taken into account, like political uncertainties elsewhere, that seems to me to be broadly true. Britain is unusually well-placed today in the way of being able to have an influence on what is going on abroad.

There is nothing grandiose about it, none of the old pretensions like Harold Macmillan saying that Britain should play Athens to America's Rome, and no question either of mediating between Washington and Moscow. Britain is just a medium-sized power, in reasonably good shape economically, possessed of some historical advantages - like the permanent membership of the Security Council and (some may say) nuclear weapons, having good relations with the US, some access to the Soviet Union, experience of the Middle East and membership of the Commonwealth. Perhaps above all, there is the unmitigated relief of belonging to the European Community, from which Britain first excluded itself, was then shut out and, when it was finally let in, spent the first ten years complaining about the terms of entry.

If one should not exaggerate, nor should one understate. It is not a bad position to be in. Few other countries have such assets. The question now is not whether Britain is a clapped-out power living on its past, but whether it will use its influence wisely.

The new foreign policy turns out to be not very different from the old, except that it is more self-confident. The circumstances may also be more propitious.

The essence of British post-war policy was always to get along as best as possible with Western Europe while preserving special links with the US. The hope was that Britain would never have to choose between the Continent and America and the aim was to preserve the Atlantic Alliance as a defensive pact against the Soviet Union.

Unfortunately, that was not as easy as it sounded - President de Gaulle for one saw the belated British application to join the Community as a ploy to become a Trojan Horse for the Americans. He also had doubts about whether Europe could rely on the US for its defence and took France out of the military organisation of the Alliance. He and Konrad Adenauer founded a special Franco-German relationship which, by and large, their successors preserved. Even the socialist German Chancellors, Willy Brandt and Helmut Schmidt, tended to look to Paris first, and perhaps London second. The relationship may have been strengthened again in recent weeks as the two countries agreed to increase their economic and military cooperation further.

Yet there have been two major changes over time. One is that Britain has become a fully paid-up, relatively non-complaining, member of the Community and can no longer be remotely described as the sick man of Europe. The other is that Gaullism in the old sense is dead. The aim now is not to build up Europe as a power completely independent from the US, but as a twin power.

Thus the old British policy of seeking to maintain the closest links with both the Continent and America becomes more realisable. The objective is sufficiently to enhance defence co-operation to show the Americans that Europe is pulling its weight, but not to become so independent or so quarrelsome that the Americans will withdraw. Paris, Bonn, London and Rome could broadly agree on that aim - as well as some of the smaller capitals, though one or two of the southern tier are playing domestic politics about American bases.

On the economic side, the Europeans share an anxiety that the US should not retreat into protectionism. That was one of the main themes of Mrs Thatcher's speech on Monday.

Some progress has been made in defence and foreign policy: for example, the decision to revitalise the Western European Union, the body comprised of the six original members of the Common Market plus Britain which was set up in 1954 to help coordinate European defence. All seven WEU members are now contributing in one way or another to the western presence in the Gulf in a manner that would have been unlikely only a few years ago.

There is also increasing political co-operation. The Europeans are trying to keep alive the idea of an Arab-Israeli peace conference at a time when little impetus is likely to come from the US because of the forthcoming American elections.

Not least, the five permanent members of the UN Security Council (Britain, France, the US, China and the Soviet Union) agreed in July on a mandatory resolution demanding an end to the Gulf War, threatening an arms embargo if it is not adhered to. That was in part a British initiative. Sir Geoffrey Howe, in particular, seems determined to keep up the pressure on the Soviet Union to stick to the agreement.

Yet, to drop the diplomatic language, all this falls far short of a common European foreign policy. The need for such a policy is much more urgent than Ministers are ready to admit in public. For a start, there is the near-vacuum in the White House which is likely to last for another 15 months at the minimum.

And while Europeans from Mr Hans-Dietrich Genscher, the West German Foreign Minister, to Mrs Thatcher may admire Mr Gorbachev and wish him well in his attempts at reform at home, that does not mean that they think that the Soviet Union has suddenly become easy to live with.

Mr Genscher has spoken of the possibility of a new kind of "two speed" Europe: not one where some of the West European countries move faster towards integration than others, but where the Soviet Union moves fast while Western Europe dithers.

No-one on the British Government side is unaware of these problems. The question is what approach to take to them. Mrs Thatcher's present plan appears to be to confront the Community with its financial and agricultural difficulties at the European Council in Copenhagen early next month.

She will be seeking support from the not wholly unwilling French this weekend and there are some signs that the Germans have come round to the need for radical reform of the Community's finances. (See the interview with Mr Genscher in yesterday's Financial Times.)

It may well be that on the common agricultural policy and Community spending Britain has won the intellectual argument: too much money goes into subsidising surpluses and the Community's financial resources ought not be increased until agricultural spending is reduced. The only problem is getting agreement on how to implement the new discipline.

Yet one may wonder if that is not too narrow an approach. Britain still has to show that it wants more from the Community than good housekeeping, and can give more to it. The present British attitude to Europe remains one of dividing it into compartments: defence co-operation through one institution, foreign policy through another, some ad hoc arrangements thrown in and some opting out. Britain does not behave as if Europe were a club, to which some of the members have their own favourite reasons for belonging which should be respected, even if Britain does not use the facilities.

Two examples: Mrs Thatcher used to argue that the reason why Britain could not yet join the exchange rate mechanism of the European Monetary System was that the economy was too weak. That is at odds with everything that has been said about the British economy in the last six months or so. It is well enough known by now that both Sir Geoffrey, himself a former Chancellor, and Mr Nigel Lawson, the current Chancellor, would be happy to see Britain go in on economic grounds. In those circumstances it appears perverse for Mrs Thatcher to hold out against joining. It looks like: "Lord make me chaste, but not yet."

The other example is the way Britain prepares its own Community spending. In the annual British public expenditure exercise departments are told that any money for European projects must be found from their existing resources. That is partly because there is a revulsion going on against big public spending projects, especially if they are remotely connected with defence; too much money wasted on Nimrod and so on. But it does make the British look somewhat niggardly. There could be a contingency reserve for Europe or even a special European fund to be allocated to Departments as necessary.

Still, it seems that the priority in Copenhagen will be agriculture. Farm reform is a prize worth having, but not at the cost of entirely souring relations within the Community. The test of revived British foreign policy will be how far it can take a wider view of Europe. For there should be no understatement here: not for a long time have circumstances so combined to make a stronger Europe a necessity. Britain messed it up in the 1950s. It is fortunate to have been given another chance.

Lombard

Throwing money at cities

By Paul Cheeseright

THE MANNER in which the Government is throwing money at the inner cities is troubling. It is, of course, right that it should be spending: it has a duty to work towards the elimination of poverty and dereliction and that makes sense from its own political point of view if it wants to recapture the urban vote.

It is the technique of grant giving that is worrying. There are so many different types of grant that even those who would like to use them hardly know which way to turn. It takes so long to wind up the system that developers are deterred rather than encouraged to engage in projects. Was it really necessary to take six months from the time of the announcement of the Urban Regeneration Grant to settling on the first scheme to enjoy it?

More seriously, the taxpayer's money is being given away when, if the Government applied the principles that it expects from private enterprise, it should be finding a means to make that money fructify.

Grant money

If the Department of Environment, the grant giver, bothered to speak to the Department of Trade and Industry, it would find that the finishing touches are painstakingly being put on the regulations that would open up trading in single property asset vehicles. Unitisation, the DTI people would call it: splitting a property up into tradeable pieces so that an investor, often an institution, can have a more liquid asset than, say, a £20m industrial estate.

Instead of simply putting money into a regeneration scheme without expecting any return, the Government could use unitisation as a means of getting at least part of its funds back and, if the scheme works, of making a profit.

Grant money is being used to make property developments attractive to the private sector in areas where commercial companies feel the risks outweigh the rewards. The Government calls this pump-priming. Others might call it bribery.

If the Government reduces the risk for the private sector developer, it should - on behalf of the taxpayer - take a slice of the likely reward at the same time. It can do this by turning its grant into an equity stake.

Once it takes a stake, the Government will prime the confidence of the financial institutions to take a share too. This is vital if the overall policy of inner city regeneration is to work. The property-investing institutions are laggardly when it comes to spending their money outside the M25 on anything other than retail projects.

Equity stakes

Here is an example. There is a derelict site in the Midlands ideal for a business park. Development costs £25m and the likely investment value of the property fully let is, say, £35m. The Government puts up £4m for clearing the site and the developer puts up another £4m and arranges short term finance of £17m.

With construction under way the developer arranges for five institutions to cover that short-term money by taking equity stakes themselves. Because the Government is involved that is easier than it otherwise might be. By the time the project is letting there are therefore seven shareholders.

The developer now prepares a unitised property issue for the market based on the investment value. At this stage the Government can decide whether to sell on its stake to the public, and the developer and the insitutions can decide whether to hold their stakes for investment or sell on too.

The knee-jerk reaction of a privatising Government will be to say that it is not its job to have equity stakes in anything but what it would be really doing is recycling funds - just what it does anyway with development corporation land sales. It would using means it has created to meet ends which it has defined.

The Government is full of the rhetoric of partnership with the private sector for inner city regeneration. Unitisation is a way of bringing that about.

Letters to the Editor

No case for quotas now

From the Chairman of the British Iron and Steel Consumers' Council

Sir, The European Commission is currently considering, in the light of the report of its Three Wise Men, what if any new steel quota system to recommend to the Council of Ministers at their meeting on December 8.

My Council can see no justification for continuing with quotas at all. Throughout the European Community delivery times for stripmill products have extended considerably in recent months, despite an apparent 10m tonne surplus of hot rolling capacity. I know at least one plant where a bottleneck at another stage of production makes hot-rolling capacity a misleading indicator of potential finished steel output; I am told there are others. It may have been administratively convenient in the past for the Commission to assess surpluses by reference to hot-rolling capacity. In present circumstances it is no basis for determining policy.

Many Community steel producers are now in profit. The Germans claim to be profitable with no need to close more capacity. They say they want protection from unfair subsidised competition, though most subsidies have been banned since 1985 and German companies have been beneficiaries of those still permitted.

The British Steel Corporation is expected shortly to publish results for the first half of 1987-88, showing a further increase in profits, possibly to a level not far short of its long-term viability objective. The Dutch, with a well located and well equipped works at Ijmuiden, are reported to be unenthusiastic about the continuation of quotas. The Belgian government is understood to be taking the same line as the Germans. In France, Usinor-Sacilor's stripmills made profits of FF.725m (£72m) in the first half of 1987 (FF.170m the previous year); and confidently expect further increases as restructuring continues.

This can hardly be regarded as a situation of "manifest crisis" - the only justification under the Treaty of Paris for having quotas at all.

Admittedly Italsider remains a problem. Are we really to maintain a quota system primarily to protect the Germans from subsidised Italian competition? In 1986 German exports of stripmill products to Italy were nearly 50 per cent higher by value than Italy's to Germany.

The retention of quotas in 1988 might protect steel producers' profit margins. It would also reduce yet again the pressure on producers and governments to take the unpleasant decisions on restructuring which are still needed and delay the full exposure of producers to competitive market forces. We see no case for that.

This is not to ignore the heavy social costs of "restructuring" the steel industry. These are properly the responsibility of the Community and member governments, though it may be desirable to modify the present State Aids Code to help deal with them. It would not be sensible economically to load them directly or indirectly onto the Community's (far larger) steel using industries, thereby reducing their ability to compete in world markets and provide alternative jobs.

H.A. Whittall,
BRISCC,
16 Berwyn Road,
Richmond, Surrey

Deficit outstayed its welcome

From Mr Peter M. Oppenheimer.

Sir, Anyone who writes as much as Samuel Brittan is allowed a certain quota of non sequiturs. But even for him there must be limits, and his statement on November 12 in support of the clownish Paul Craig Roberts' defence of the US budget deficit is too outrageous to be allowed to pass. The budget position, said Mr Brittan, cannot have been responsible for the US stock market drop, because the deficit is considerably smaller relative to GNP than it was four years ago; the real culprit was the rise in interest rates during 1987.

Even granting (generously) that the most recent narrowing of the deficit is permanent rather than temporary, simple comparison with 1983 can at most indicate that the narrowing had not gone far enough or fast enough. Mere direction of change proves nothing. But actually even this comparison with 1983 is misleading. Before 1984 or so the US budget deficit was not a problem, but a useful stimulus to economic activity in the United States and abroad. It became a problem subsequently because it outstayed its welcome and Mr Reagan was not prepared to ask Congress for the moderate tax increase necessary to cure it. In 1987 the deficit was responsible for the rise in US interest rates, because foreign and US investors alike had become reluctant to add further to their holdings of US government debt.

More tentatively, one can argue that the partial narrowing of the budget deficit in the past few years, by delaying the financial crunch but not preventing it, actually made matters worse rather than better. If the rise in interest rates had occurred in 1986 rather than 1987, stock market euphoria would have been ended sooner and less traumatically.

Peter M. Oppenheimer,
Christ Church,
Oxford

More motorway needed, please

From Mr A.J. Watkinson

Sir, Mr John Banham's letter (November 12) on the need to expand Britain's motorway system mentions the fact that there is no motorway west of Exeter. Even more serious: there is no motorway north of Leeds until one reaches the Durham motorway which starts just south of Darlington.

As far back as 1938 the County Surveyors' Society advocated a continuous motorway from London to Newcastle upon Tyne. The time is long overdue for a new motorway to be built to the north east.

A.J. Watkinson,
3 Otley Road,
Harrogate, North Yorkshire.

'Have you got your community charge too, darling?'

From Mr Harvey Cole

Sir, Michael Howard has the most agile and ingenious mind of Ministers at the Department of the Environment. So it is unlikely that a better case can be made for the proposed poll tax than the one set out in his article (November 16). Consequently, that just shows how thin the arguments are.

To take the points he makes. First, there is the chestnut about the low proportion of the population which currently makes rate payments. It is simply not true that there would be a vast increase in those footing the bill under the Government's proposals. In theory husband and wife would each make individual contributions. But who believes that this is what would happen in practice? Can we really imagine the post being opened at the breakfast table, and the husband inquiring: "Have you got your community charge demand too, darling?" The Scottish legislation makes married (and other) couples living together liable jointly and severally, and that is how it would be.

Then we have the proverbial widow in a large house who, under the present system, pays as much in rates as the household next door with a working couple and their fully employed children.

To the extent that this is unfair it is a function of a miserably misdirected set of housing policies rather than reflecting any fundamental defect of the rating system. Strangely enough, Mr Howard virtually admits this when he says: "There is no evidence to suggest that rates do in practice put pressure on the single elderly to sell their family houses".

How can it plausibly be contended that the poll tax will lead to a lessening of central control over local authorities? Not merely will the Government provide 75 per cent of local government revenue, but it will make its own overriding assessment of what each authority "should" spend. This also has the effect of "gearing" up the local spending element so that an extra £1 on services costs the local people £4. So frightened is the Government that improved services would prove popular even at that cost that it is proposing further to interfere with local responsibility by "capping" the poll tax itself.

The problems Mr Howard refers to of distortions caused by the distribution of rate support grant between more and less prosperous areas could be largely solved by reducing the share of expenditure provided by central government and changing the basis on which it is provided - thus genuinely increasing local responsibility.

To Mr Howard the great merit of the poll tax is that "we" (ie the Government) "can pay grant according to the differences in local authorities' spending needs, without resource equalisation". It is a measure of the unreality in which the Government is living that this could be put forward, apparently in all seriousness, as the greatest justification of the idea: to make life easier for civil servants.

What is totally missing from Mr Howard's article is any recognition that the primary objective of replacing the rates was originally stated to be: to find a way of raising local revenue that is related to ability to pay. A flat rate charge plainly contradicts that aim - and it is no answer to say that those with above average incomes will contribute proportionally more to central government grants: they do that already, and all the indications are that their share will drop.

The poll tax fails on grounds of principle - quite apart from the horrendous considerations as to how it will be administered and collected: we have not the faintest idea how the population will be calculated for levying the tax and distributing grant, but it is virtually certain that the two bases will be different.

Perhaps the Government could at least stop pretending that the object of the exercise is to improve local accountability, when it must seriously diminish it.

Harvey Cole,
County Councillor, Eastgate Division,
9 Clifton Road,
Winchester

FINANCIAL TIMES

Friday 20 November 1987

Aleksandar Lebl and Judy Dempsey report on a struggle for economic survival

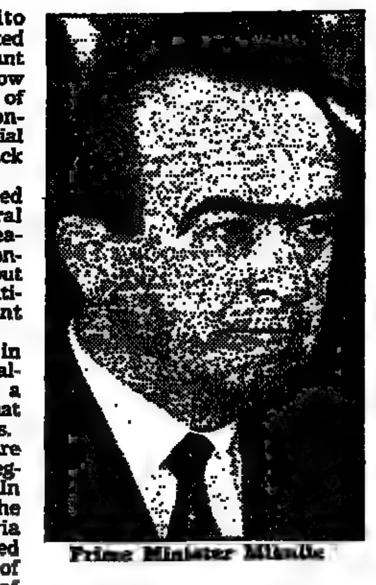
Yugoslavia struggles with Tito's legacy

THE LATE President Tito bequeathed Yugoslavia a mixed legacy. The bill for an important part of his final testament is now being paid by the government of Mr Branko Mikulic as it confronts unprecedented industrial and economic gloom and attack from all quarters.

Last week Mr Mikulic pushed through the Yugoslav federal parliament a package of measures designed to set the economy on the road to survival, but the measures have received criticism for not being stringent enough.

He has one factor working in his favour. All the republics realise that the economy is in a shambles. The problem is that they all have different remedies.

The Yugoslav authorities are saddled with the economic legacy bequeathed by Mr Tito. In the latter years of his rule the founder of modern Yugoslavia borrowed heavily. He also turned a blind eye to the creation of prestige industries, many of which were often duplicates of existing ones in other republics and which became expensive white elephants.



Prime Minister Mikulic

No tight rein, even after Mr Tito's death, was placed on the republics. They pursued their own economic policies at the expense of the country's.

This is one of the major political issues facing Mr Mikulic's Government. If he has the authority to do so, Mr Mikulic must persuade the individual republics to accept this economic package, even if it means a loss of their autonomy.

Slovenia and Croatia, for instance, where unemployment is in single figures and the industrial base is very much export-oriented, yearn for an economy which allows initiative and which cuts back on state interference. They heartily support the idea of more privately run small-scale enterprises in which the management would be free to set their own wages.

Other republics such as Bosnia-Hercegovina, Serbia and Macedonia, which are under-developed, require judicious capital investments which are not available. Unemployment in those areas is running at between 15 and 20 per cent and around 40 per cent in the troubled autonomous province of Kosovo.

Mr Mikulic's Government obtained a comfortable majority when it submitted its anti-inflation and stabilisation programme for approval. But the votes split along regional lines, with those from Slovenia and half of those from Croatia voting against and the rest, with a few exceptions, voting for.

The plan was amended in the light of newly released figures which indicated that, if no measures were taken, inflation would reach 220 per cent by early 1988. Mr Mikulic was already faced with the gloomy economic forecast that the planned growth of 3.5 per cent growth for 1987 was way off target.

Above all, the Prime Minister had to come up with a package in time for the International Monetary Fund (IMF), which will visit Yugoslavia on December 2. The Yugoslav Government is keen to reschedule its $20bn hard currency debt which takes 50% of export earnings to service.

The programme has several objectives: to revive industrial and agricultural production, further boost exports to hard currency markets, streamline and restructure the economy, cut expenditure, reduce the tax burden for companies, increase domestic savings and much more.

To give itself breathing space to implement the programme, the Government froze most prices until June 30 and ordered a price rollback to the level of October 1. But it also allowed drastic price increases for many basic goods, energy and services including transport, and for those goods in whose production costs these items play an important role.

That move, the Government calculated, designed to eliminate the worst price disparities, would increase producer prices by 24 per cent, retail prices by 18 per cent and the cost of living by 16 per cent which, as usual with official estimates, could be over-optimistic.

Wages and salaries will be allowed to increase in conformity with the rule which permits a higher wage bill if a company's income goes up, provided it sets aside an even higher percentage for capital investment. However, real wages are going to fall more than 4 per cent this year.

The package also included a 24.6 per cent devaluation of the dinar, which should motivate producers to export rather than to sell at home, where they used to fetch higher prices.

There is widespread scepticism about the likely success of the programme, shared by most foreign observers in Belgrade.

The conviction prevails that without a radical switch to a market economy, Yugoslavia cannot solve its problems and overcome the economic, political and social crisis. That has also been the official party line and proclaimed government policy. In practice, however, regulation has been intensified so that Yugoslav companies, which in theory are self-managed and autonomous in their decision-making, have been strangled by a thick web of laws, bylaws, rules and orders.

Critics of the latest programme claim that it goes a step farther in regulating everything, government representatives defend the programme as the only viable solution in an extremely difficult situation.

They point to stagflation (production rose barely 1 per cent this year, with inflation estimated by the Government at 168 per cent), unemployment at 11 per cent of the overall active workforce, falling productivity, regional and industry-wide monopolies and an increasing number of loss-making companies.

Introduction of a market economy depends on solving those problems, the Government says. Critics say the Government should let the economy sort out its problems without outside interference.

They do not see how production can be revived under existing conditions or what will motivate people to work harder when their real wages and living standards are falling and prices are rising.

A deliberate government policy of increasing utility rates, rents and numerous prices have been causing social unrest which is likely to spread after the latest measures are implemented. Strikes, which have doubled from last year, subsided in the summer but have been multiplying recently, as witnessed by the strike and demonstrations at the Skopje ironworks.

Mr Mikulic's Government faces an uphill battle with, at best, a 50 per cent chance of winning. It faces resistance from dogmatist and conservative groups and various vested interests in an environment which is hardly propitious.

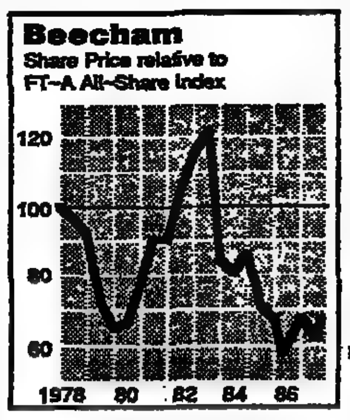
If Mr Mikulic fails to pull the republics together and push through this package, the IMF will be far from impressed and rescheduling will be a tough battle. It will also put Mr Mikulic's political future in question and any prospects for an improvement in the Yugoslav economy very much in doubt.

Mr Mikulic and his closest associates have repeatedly said that if they fail with their programme they will go. The trouble is that in Yugoslavia, at least at present, there is no alternative team with a different programme to take over.

THE LEX COLUMN

Patience will be rewarded

Investors seemed thoroughly put out that British Gas - one of their favourite stocks in such uncertain times - produced no more than an apparently unchanged dividend of 2.5p yesterday. However by extrapolating from this maiden interim and concluding anything about the likely size of the final, they are being too clever by half. British Gas has not yet established the split between its first and second half payout, and there is no good reason to believe the final will be wanting.



The 5p fall in the share price yesterday to 129p also reflected disapproval at the inept way British Gas is handling its first major attempt at acquisition. By backing away from Bow Valley, British Gas may have saved itself from paying too much, but it has also dented its image as a potentially powerful international predator. Meanwile its basic business is going swimmingly, and it would take a Mediterranean winter to prevent it from announcing good results for the year. The price it pays for its gas reacts so slowly to oil price movements, that it is still enjoying the effects of last year's low oil prices. Moreover, industrial gas prices have not fallen anything like as far as gasoil prices, a position which seems bound to land British Gas in the hands of the MMC sooner rather than later.

So far the market, in its scramble for big, reliable companies, has closed its eyes to this risk. However, the MMC may not do anything nasty to British Gas in any case. For one thing, if the Government changed the rules for gas so soon after privatisation, it would not make its job of selling water or electricity any easier.

Plessey

To blame the disturbing retraction of Plessey's pledge of a full year growth in earnings on events in the financial markets takes some cheek. A likely excuse from a company which pulls in such a large chunk of its profits from BT and the MoD, scarcely big players in uncovered options. The market reacted in the traditional manner and knocked nearly 10 per cent off the Plessey share price.

Sir John Clark is paying the price of inflating expectations about the company in its battles, first to fight off, and then to do a deal with, GEC. Now that the disappointment is plain the lack of movement away from its declining core markets becomes more painful. The joint venture with GEC is clearly one bright spot. And more acquisitions must be on the cards, after Sippican in the US. But despite its coveted transputer, Inmos should not be the next target. Consolidating the UK semiconductor industry may make obvious sense; but for Plessey, the risks - and the costs - are too high. And as a takeover target in its own right, the quashing of GEC's approach last year may have made the company more bid-proof than not, a possibility which could explain that sharp fall in the share price.

Burton

The controversy and suspicion that have dogged Burton, particularly since the Debenhams takeover, now appear to be the main depressant on its rating relative to a stores sector heavy with the walking wounded. Volume figures in Burton's core businesses look buoyant, although probably helped by faltering competition. And while the 20 per cent sales boost at Debenhams in the first 11 weeks of this year must be boosted by the phasing out of concessions, there is sufficient confidence in the new Debenhams formula to splash out £100m in refurbishment this year.

The improvement in purely retail earnings in the year just reported is, however, rather less exciting than the headline figures, and suggests that Debenhams has taken its toll. Property provides an extra £5m, sale and lease back has saved about £13m off the interest bill, and the income of related companies has glided up £10m. The latter increase is mainly from the finance business, which could be hit by the OFT charge card inquiry and by the roping in of some of the off-balance sheet financing. Stripping out these extras (but allowing for the rent) reduces the retail earnings improvement to about 13 per cent. But with higher expectations from Debenhams this year, a rating of 9.5 is not expensive.

Beecham

The transformation of Beecham's fortunes over the last twelve months has been well documented and yesterday's 18 per cent rise in first half earnings per share held few surprises. The company has completed its disposal programme, eliminated the net debt from its balance sheet, squeezed its working capital and substantially strengthened its management team. Currency changes knocked £10m off trading profits in the first half, but the company seems on target to earn over £400m in the full year. In the recent market shakeout, Beecham's shares have been one of the star performers and a prospective multiple of around 14 times earnings does not look too demanding in the light of the growth of products like Augmentin, its broad spectrum antibiotic, which increased its US sales by 70 per cent in the first half.

Sony/CBS

It is not clear what megastars like Michael Jackson and Bruce Springsteen think of Sony's $2bn purchase of CBS Records but at first sight it looks as if the Japanese have paid a fancy price. Whilst an exit multiple of around 20 times earnings is considerably smaller than Sony's own depressed multiple, there must be a suspicion that it is buying the company at the peak of its earnings. The logic of Sony's move is that it gains a major US earnings stream; and with the world's largest record company under its umbrella it could severely dent, if not destroy, the music industry's opposition to digital audio tape recording. Sony seems to be indicating that there is more money to be made in the software side of the music business, rather than the materials side. Its strategy is not without risks. The most obvious is the fear that CBS Records' highly paid talent can defect to the opposition.

Montedison signs Soviet joint venture

BY DAVID LANE IN MILAN

MONTEDISON, the Italian chemicals group, has signed a letter of intent to establish a petrochemicals joint venture in the Soviet Union involving total investment of between $5bn and $6bn.

Its partners are the Soviet Ministry for Petroleum Industry and the US Occidental Petroleum Corporation. The letter was signed in Moscow yesterday.

The joint venture will involve facilities for large-scale downstream exploitation of hydrocarbon resources at Tenghis in the Urals, north-east of the Caspian Sea. Montedison said it was one of the most important joint ventures ever to be undertaken in the Soviet Union.

Construction work should begin in 1989 and the complex should start to come on stream within three years.

Montedison said it had also undertaken to organise project financing.

The Soviet Union insists on a 51 per cent stake in joint ventures. Foreign companies may repatriate profits, control prices and remain largely free from the planning bureaucracy, but the ventures must earn the foreign currency needed to compensate the foreign investor.

Oil and gas is already being produced at Tenghis but the venture will result in annual extraction from the fields being increased to 30m tonnes of crude oil by 1995.

The Italian company has been given the task of establishing and heading the consortium which will build the petrochemicals plant. It is looking for partners to join and has already signed up the Japanese Marubeni Group as a participant.

Annual production potential at the Tenghis complex will amount to 500,000 tonnes each of polypropylene and polyethylene. Other polymers and composites will also be produced. Annual production of sulphur is expected to be 1m tonnes.

Montedison said that factories will be built to make plastic pipes and fittings, as well as insulating materials, non-woven textiles, plastic containers and consumer goods. Sulphur will be used for fertiliser production.

Output from the complex will be marketed domestically and abroad by the three partners.

In Moscow Mr Armand Hammer, chairman of Occidental Petroleum, is reported to have said that the potential partners have already agreed that at least 50 per cent of the plastics and sulphur produced at the plant will be exported.

Montedison has undertaken to complete the formation of the consortium by the end of January. A technical study, which is expected to take about a year, will begin after approval of the consortium by the Soviet authorities, and signature of the definitive agreement will follow.

US bid to repeal bedrock bank law

By Anatole Kaletsky in New York

TWO OF the most powerful US lawmakers on banking regulation have introduced a bill to repeal the Glass-Steagall Act, the bedrock legislation of the US financial system, which has for over 50 years enforced the separation of commercial and investment banks.

The new bill was introduced yesterday in an unusual joint initiative by Senator William Proxmire, chairman of the Senate Banking Committee, and Senator Jake Garn, the senior member of the committee's Republican minority.

Their action came only a day after a strong call for bank deregulation from Mr Alan Greenspan, chairman of the Federal Reserve Board. In testimony on Wednesday before a House banking subcommittee, Mr Greenspan, for the first time put the Fed on record in unambiguous support of the total abolition of Glass-Steagall restrictions on the securities activities of commercial banks.

Following Mr Greenspan's testimony and yesterday's introduction of the the Proxmire-Garn bill, the forces massed against Glass-Steagall are growing to overwhelming proportions.

In addition to the Fed, support for the Proxmire-Garn legislation is almost certain to include the White House, the US Treasury and other Federal regulatory agencies, such as the Controller of the Currency and the Securities and Exchange Commission.

All of these bodies have argued strongly, in line with Senator Proxmire's statement yesterday, that the separation of commercial and investment banking "is no longer relevant to today's marketplace" and puts US commercial banks at a serious competitive disadvantage against their rivals in Europe and Japan.

G7 prepare for early discussions

By Philip Stephens in London

SENIOR OFFICIALS of the Group of Seven nations have begun work on an agenda for an early meeting of finance ministers on the assumption that the talks in Washington result in a credible reduction in the US budget deficit.

One European official said yesterday that a ministerial meeting could be held in London by November 28, but others insisted that talks would take longer to convene and that the venue had yet to be agreed.

Both France and Britain have pressed for early talks in order to restore stability to the markets.

According to European officials, however, West Germany has been reluctant to commit itself.

The US' partners would want to look at the details of any budget deal before entering into any new commitments themselves, one participant in meetings of the group said.

Italy's crisis 'most trivial ever'

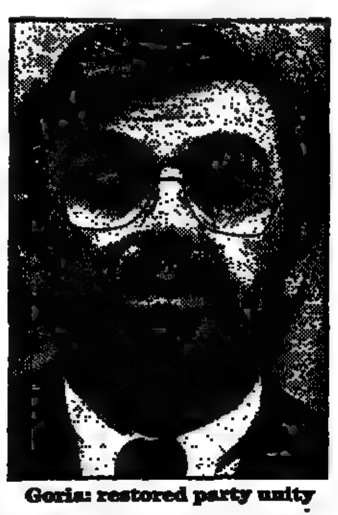
BY JOHN WYLES IN ROME

ITALY'S 4-day political crisis has ended in a whimper, with the Liberal Party burying its differences with its four coalition partners and Mr Giovanni Goria's government restored to full power.

After consulting all parties, Mr Goria, a Christian Democrat, reported back to President Francesco Cossiga late on Wednesday evening that the majority, which was fractured by the Liberal walkout last Friday, had been glued back together. The President told him to seek a parliamentary vote of confidence which should be duly delivered by next Tuesday.

Under Italian constitutional rules and practice, this means that Mr Goria did not formally resign last Saturday because the President did not formally accept his resignation.

In the history books, the crisis will be reported as a hiccup, not a rupture. This leaves Mr Goria, the 44-year-old Prime Minister, still some way behind Mr Alcide De Gasperi, the father of Christian Democracy, who led eight administrations between 1945 and 1953.



Goria: restored party unity

Most Italians, including many senior politicians, are concluding that the crisis of the last few days has been one of the most trivial ever. The Liberals quit the government alleging that its 1988 budget proposals were breaking promises over income tax cuts and were too soft on public spending.

They have now decided to stay in, on the understanding that L1,500bn ($1.21bn) of the promised tax cuts may be handed over next July providing inflation is heading for the Government's targetted annual rate of 4.5 per cent and provided that spending can be cut by a corresponding amount. They have also secured the creation of a committee charged with the task of examining public spending and producing a strategy for lowering the budget deficit.

The ad-hoc committee for public spending was offered by the other parties last Friday to induce the Liberals to climb down. Many believe that tougher negotiating by the Liberal leader, Mr Renato Altissimo, at that time could have brought similar results without the crisis.

Among the urgent tasks facing Mr Goria and his ministers is the need to follow up on last week's referendum.

In the driving seat, Page 2

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	S	15	59	Malta	S	21	70	Rhodes	F	18	64
Algiers	F	19	66	Edinburgh	S	9	48	Manchester	R	7	45	Rio de J'o	S	34	93
Amsterdam	R	12	54	Faro	S	18	64	Manila	C	34	93	Rome	S	16	61
Athens	C	9	48	Florence	S	12	54	Melbourne	Th	25	77	Salzburg	F	8	46
Bahrain	S	25	77	Frankfurt	C	11	52	Mexico City	S	24	75	San Francisco	F	11	52
Bangkok	C	31	88	Funchal	C	18	65	Miami	C	27	80	Seoul	S	7	45
Barcelona	S	17	63	Geneva	C	9	48	Milan	C	9	48	Singapore	F	29	82
Beirut	S	24	75	Gibraltar	F	18	64	Montreal	C	3	37	Stockholm	R	3	37
Belfast	R	8	46	Glasgow	F	8	46	Moscow	Sn	-3	27	Strasbourg	F	7	45
Belgrade	S	10	50	Guernsey	C	12	54	Munich	F	8	46	Sydney	F	25	77
Berlin	R	9	48	Helsinki	C	5	41	Nairobi	F	25	77	Taipei	C	21	70
Biarritz	S	13	55	H. Kong	C	21	70	Naples	F	15	59	Tangier	F	19	66
Bombay	F	31	88	Innsbruck	F	6	43	Nassau	C	30	86	Tel Aviv	F	22	72
Bordeaux	F	7	45	Inverness	R	7	45	New Delhi	S	29	85	Tenerife	F	22	72
Brussels	C	11	52	Islamabad	S	27	81	New York	S	6	43	Tokyo	F	20	68
Budapest	R	7	45	Istanbul	C	10	50	Nice	S	18	64	Toronto	S	1	34
B. Aires	C	26	78	Jakarta	S	34	93	Nicosia	C	21	70	Tunis	F	20	68
Cairo	F	23	73	Jersey	C	12	54	Oporto	S	18	64	Valencia	S	18	64
Cape Town	F	19	66	Jo'burg	C	25	77	Oslo	C	2	36	Venice	Fg	5	41
Caracas	R	27	81	Lima	S	21	70	Paris	F	11	52	Vienna	R	6	43
Casablanca	S	20	68	Lisbon	S	18	65	Peking	S	8	46	Warsaw	C	8	46
Chicago	F	1	34	London	R	13	55	Prague	R	7	45	Washington	S	6	43
Cologne	C	11	52	Los Angeles	F	15	59	Reykjavik	F	2	36	Zurich	C	7	45
Copenhagen	C	10	50	Luxembourg	C	8	46								
Corfu	S	18	64	Madrid	S	13	55								
Dallas	C	3	37	Majorca	S	19	66								
Dublin	C	9	48	Malaga	S	18	65								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Moscow unrest

Continued from Page 1

certed effort to calm the political atmosphere Mr Primakov said: "The fact he got such a high appointment yesterday should end speculation about this matter."

Nevertheless, Mr Gorbachev's prestige and the credibility of his reform programme in the eyes of the Soviet public has been badly damaged by the Yeltsin affair in which the Soviet leader is seen as having abandoned one of his supporters in the interests of party unity.

Over the past year Mr Gorbachev, along with the rest of the Politburo, had called for more democracy, but the Yeltsin crisis has shown him for the first time as surprisingly inept in handling Soviet public opinion.

The publication of the transcript of the Moscow party committee meeting last week which fired Mr Yeltsin - apparently designed to discredit him as an incompetent demagogue - had exactly the opposite effect and created a wave of public sympathy in his support.

"The problem is that there is no experience of political crisis management in the party leadership," a Soviet political observer said yesterday.

Reagan rejects market charges

Continued from Page 1

ington over the budget deficit talks yesterday kept world financial markets nervous and the dollar weaker.

Share prices fell during trading on European stock exchanges, and in New York, Wall Street's continued concern over the talks saw the Dow Jones Industrial Average tumble 43.77 points to 1,895.39.

On foreign exchanges, dealers and analysts were frustrated by a series of comments by senior political figures in Washington alternatively proclaiming that an end to the budget negotiations was, or was not, in sight.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday November 20 1987

Boeing wins $50m premium as Allegis buys back notes

BY RODERICK ORAM IN NEW YORK

ALLEGIS, parent company of United Airlines, is to buy back $700m of notes it had sold to Boeing in May as part of its defence against corporate raiders.

The aircraft manufacturer will receive $50m on top of the principal amount as a "prepayment premium" representing accrued interest.

Boeing would have earned a greater profit, perhaps well over $200m, on its six-month investment in Allegis if it had exercised its option to convert the notes into some 16 per cent of Allegis' stock.

The Chicago-based company is planning to pay a dividend of at least $50 a share when it completes the sales of its Westin and Hilton International hotel chains and Hertz car rental business as part of restructuring moves forced on it by corporate raiders.

It has found buyers for the operations.

Allegis appears to have won favourable terms for redeeming the notes because the repayment was coupled with changes in an existing agreement to buy Boeing 737 and 747 aircraft.

Allegis' United Airlines subsidiary will, for example, turn options for 54 737s into definite orders.

Boeing would have probably been barred from gaining control of Allegis by long-standing laws forbidding aircraft makers from owning airlines.

But Allegis had hoped that Boeing's stake in it would influence the outcome of any takeover battle.

Allegis has retained its independence but at the expense of scrapping grandiose plans of its former management to build a transport empire spanning hotels, airlines and car rentals.

Bell & Howell puts itself up for sale

BY OUR NEW YORK STAFF

BELL & HOWELL, the US publishing and information company which has come under siege from several powerful corporate suitors, yesterday formally put itself up for sale after a boardroom reshuffle.

While the company said that it would consider all acquisition proposals, including any offers that might be made by Britain's Mr Robert Maxwell and Macmillan Inc of the US, the management indicated a preference for a leveraged buyout with the financial backing of the Texas-oilman Mr Robert Bass.

Along with yesterday's decision to invite offers for Bell & Howell, the board decided to replace Mr Donald Frey, chairman, as chief executive by the company's president, Mr Gerald Schultz. Mr Schultz announced that he and the rest of the "management other than Mr Frey" planned to work with the Bass group on a leveraged buyout proposal. However, Mr Frey will remain chairman of the board and will presumably play a key role in assessing any competitng offers that might be forthcoming for the company.

The final recommendation to shareholders will be made by independent board members, advised by Salomon Brothers, the company's investment bankers.

Bell & Howell's shares were suspended at lunchtime yesterday up $¼ at $60½, a price which valued the entire company at around $550m. Late last week Mr Bass and his partners owned more than 16 per cent of Bell & Howell, Macmillan owned around 8 per cent and Maxwell Communications owned 2.5 per cent.

Olivetti launches computer range

By David Thomas in London

OLIVETTI, the Italian information technology company, yesterday launched a range of minicomputers designed to spearhead a big expansion of its presence in that market in Europe.

The group is aiming to repeat its success in the personal computer market, which it entered only four years ago and where it ranks second in Europe after IBM.

Mr Carlo De Benedetti, Olivetti chairman, said in London where the range was unveiled that the company's stress on more powerful computers would create "a new Olivetti".

Olivetti has won only a small share of the mini-computer market recently, though it says it has an installed base of more than 100,000 machines. It has offered ageing models of its own, called the L1, which the new range will replace and a range from American Telephone and Telegraph (AT&T), with which it has a strategic partnership, called the 3B.

The company will not sell the range in US, although it will continue to sell in Europe the AT&T range, which it described as complementary.

Olivetti's new range, called the LSX 3000, will be in competition with large US computer companies, such as IBM and Digital Equipment Corporation, as well European-based companies such as Nixdorf, Bull and ICL.

There are seven models in the new range, costing between $17,000 and $500,000, able to service between two and 200 users and with computing power of between 2m and 9m instructions per second (mips).

Olivetti is aiming to double the share of its revenues from systems sales over the next two years.

James Buchan and Carla Rapoport assess the questions posed by the Sony deal

CBS returns to base with $2bn to spend

ON WEDNESDAY night, after 60 years of diversification, CBS returned to base. The group, which began in 1926 with its first radio stations and has been buying up other businesses ever since, resolved at an early evening board meeting to return to broadcasting.

The sale to Sony of Japan of the group's last big non-broadcasting asset, CBS Records, has been on the cards - and off again - for a year. But even as Wall Street welcomed the deal, analysts and investors were asking two big questions about the US's second largest broadcaster:

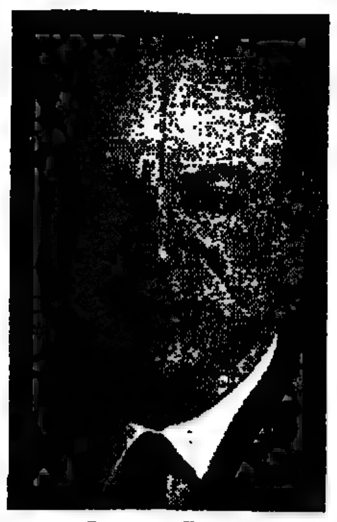
- Why has CBS chosen now to sell its second largest business?
- What is Mr Larry Tisch, the hard-driving businessman who took management control of CBS in a boardroom coup in September 1986, going to do with $2bn in Sony cash?

Mr Tisch, 64, whose Loews Corporation owns 24.9 per cent of CBS, said on Wednesday: "After long discussion and very careful review, our board concluded that this is a very attractive offer in terms of value to the shareholders, while it also provides an important source of capital and allows us to focus all of our energy and resources on our core business of broadcasting."

Because of regulatory limits on its ownership of television stations, CBS chose to plough its broadcasting cash in motley new businesses ranging from publishing to toys and Steinway pianos. Mr Tisch, who is known as an opportunistic deal-maker, has raised more than $1.2bn from shedding the last of these diversifications: book and magazine publishing and music publishing. But when Sony and Mr Walter Yetnikoff, the record division's colourful president, approached with an offer of $1.25bn for the records last December, there was strong board opposition.

Mr Tisch is understood to have argued that profits from records are inherently volatile. Although blockbuster hits such as Bruce Springsteen's Born in the USA or Michael Jackson's Thriller have boosted operating earnings to peak levels - perhaps $200m this year - the division could earn only $22.2m in the recession of 1982. "Obviously Mr Tisch thinks the business has peaked again," says Mr Raymond Katz, an analyst at Mabon Nugent.

But other board members,



Laurence Tisch

Sony chairman Akio Morita

including Mr William Paley, the 86-year-old chairman and patriarch, are said to have opposed the sale of such a strong business, which employs 10,000 worldwide, enjoys $1.5bn in revenues and records such artists as Bob Dylan and Barbra Streisand.

As late as this September, the board broke off negotiations with a Sony team in New York.

"If you ask me, what turned the board round was the stock-market crash," says Mr Katz. Other analysts point out that Sony's offer is around 10 times operating earnings, which is a handsome price at a time when economists are predicting a slowdown in consumer spending.

"CBS's history of buying high and selling low may just have been reversed," says Mr Alan Gottesman of L.F. Rothschild.

The board is also believed to be anxious that Mr Yetnikoff, who has run the division since 1975 and could earn as much as $20m from Sony, would leave if the offer were rejected.

CBS is left with four television stations, 18 radio stations and a videocasette joint venture. Analysts expect Mr Tisch to buy more television stations, and he may seek to increase CBS's market share from 19 per cent to the regulatory limit of 25 per cent. But he does not need Sony's money for this. "CBS is already a very liquid company," says Mr Gottesman. Wall Street is hoping that the money may go into a stock buy-back or a distribution to stockholders - including, naturally, Loews and Mr Tisch.

"CBS's problem is that nobody much is watching television screens," says Mr Gottesman. "Money is not its problem."

Maverick Sony takes a bold step into the big time

IT WAS an expensive move, but a bold one. Sony finally decided to pay CBS's price of $2bn for its record company yesterday and Japan's business community sucked in its breath in astonishment.

Japanese companies do not generally acquire other companies, let alone foreign companies. The recent spate of direct investments by the Japanese abroad, spurred by the high value of their currency, has mainly been in New York and London office blocks or greenfield production sites around Europe and the US.

But Sony has always been a maverick within its own industry and within Japan. While the other electronic companies, such as Matsushita, Hitachi and Toshiba, diversified into every area of the business, Sony clung to its audio and video bases. This insured that the company maintained a handsome innovative edge in its chosen fields, but it also caused the company to fall well behind on manufacturing breadth and knowledge.

The pioneer of the now famous Walkman, the ill-fated Betamax videotape recorder, and a host of other well-known products, Sony is perhaps the most international of the Japanese electronics companies. This is primarily because its narrower product base compelled the company to be more dependent on exports than its bigger competitors.

But today, with more than 60 per cent of its sales derived from exports, Sony has been hard hit by the yen's appreciation. Profits slumped in 1986 and, although improved this year, remain vulnerable to any further sharp appreciation of the currency.

Sony's somewhat belated efforts to diversify its product mix have yielded some winners; at the same time, it is quickly shifting production to cheaper offshore locations. Neither tactic, however, would be sufficient to allow Sony to break out of its fairly dull profits' profile and move into the big time.

The acquisition of CBS, while an expensive short-term move, gives Sony a shot at the big time over the long-term. In addition to capturing an overseas earnings flow and thus diversifying itself further, Sony could well benefit from the exposure to CBS's raw performing talent. This is known in the business as software, or intellectual property.

"Profit margins in technology are shifting radically from materials to software. There is less and less material in a product and more and more thought, ideas, or intellectual property," argues Mr Bruce Johnson, head of research at Barings Securities in Tokyo. The Japanese are not even at first base in this area, yet it is crucial to the development of the next generation of audio and video products. The software, or intellectual property, available at CBS Records, could provide important grist for Sony's technological mill.

Indeed, Sony is already moving ahead on two revolutionary products which could benefit from the CBS link. The first of these is digital audio tape (DAT). This product can make perfect recordings of copyrighted music, such as compact discs, and as a result, the music industry is fiercely opposing its introduction in Western markets.

"We may now have ground to argue from," said Mr Norio Ohga, president of Sony yesterday, in reference to the DAT debate. He claimed that Sony would not force CBS Records to make pre-recorded DAT cassettes, but the fact that the two sides are now in one bed has to make the issue more resolvable.

The second product to benefit from the marriage will be CD-video, a new audio/video product pioneered by Sony and Phillips. Currently, the format allows for five minutes of picture and 20 minutes of sound. With the back-up of the CBS talent behind it, CD-Video may emerge as a bigger product than expected.

Another view in Sony's favour is the fact that CBS's top management intend to stay on. This leads analysts to predict that earnings this year will reach $200m at the pre-tax level, which works out to about a a 10 per cent return on sales of the combined companies, CBS Records and CBS/Sony.

INTERNATIONAL COMPANIES & FINANCE

Advance at News Corporation

BY CHRIS SHERWELL IN SYDNEY

MR RUPERT MURDOCH'S News Corporation yesterday reported increased profits for the three months to September, thanks mainly to his takeover of the Herald and Weekly Times (HWT) group in Australia.

Equity-accounted profits after tax were A$76m (US$52.9m), up 31 per cent from the A$58m for the same period last year. Including extraordinary items, first-quarter profits were A$146.5m, a dramatic improvement on the previous level of A$53.8m.

Significantly, a breakdown of operating profit before tax shows the contribution from associated companies rising five times to A$45m and a halving of the contribution from the holding company and its subsidiaries to A$66.6m.

Overall revenues rose 43 per cent to A$1.38bn. The HWT acquisition boosted the contribution from Australia and the Pacific, which was up 82 per cent to A$379m.

The contribution from the US, by contrast, was down by a fifth to A$641m. The UK brought in a 15 per cent increase to A$360m.

A similar picture was shown in a breakdown of profit on trading operations before interest, with the contribution from Australia and the Pacific more than trebling from A$15.8m to A$53.1m.

The company said the increase in profits was primarily attributable to income from acquisitions in Australia and the Pacific and increased earnings from Australian and UK publishing operations.

This increase, it said, was partially offset by significantly reduced foreign exchange and investment income and by lower earnings from Twentieth Century Fox Film Corporation.

The extraorinary gains resulted primarily "from the exchange by shareholders of a subsidiary's preference shares into shares the group owned in Reuters," News said.

On its UK activities, the company said advertising and circulation revenues in the newspaper division achieved records. The UK results included first-quarter losses from Today, the daily newspaper acquired in July.

In the US, improved results from business and consumer magazines offset worse results from the group's seven television stations. For Twentieth Century Fox, the films Aliens and The Fly proved successful releases.

Provisions limit growth in earnings at Westpac

BY OUR SYDNEY CORRESPONDENT

SHARPLY increased provisions and substantially higher tax payments severely limited earnings growth at Westpac Banking Corporation in the year to September.

Results show a 0.6 per cent rise in group profits after tax and minorities, to A$409.2m (US$284.6m). Pre-tax profits were up 21.4 per cent to A$848.5m.

Mr Bob White, who retires as managing director at the end of the year, said the bank faced the current uncertain economic climate with confidence because of its strong underlying profit performance.

Westpac's new managing director was named as Mr Stuart Fowler, currently chief general manager for retail financial services.

An increase in the corporate tax rate and the introduction of a fringe benefits tax helped tax payments to rise 48 per cent to A$397m. Write-offs and provisions rose 30 per cent to A$310m. The bank also transfered A$75m to general provisions for loans to countries rescheduling debt.

Westpac's exposure to such countries totals A$500m, the bulk of it to Mexico.

The main contribution to net profits, of A$182m, came from the trading bank operations. But this figure was 12.5 per cent lower than last year because of the A$75m provision.

Contributions from Westpac's investment and merchant banking subsidiaries showed a 59 per cent jump to A$60.3m. Savings bank and property operations also reported improvements.

Net interest income showed a 21 per cent increase to A$2.37bn. Non-interest income was A$1.05bn, up 17.7 per cent, of which fees and commissions were A$707m, a rise of 23.6 per cent.

Group assets amounted to A$70.3bn, almost 16 per cent higher than last year. The provisions made can cover losses of up to A$1bn.

Mixed first-half results for Suzuki and Honda

BY STEFAN WAGSTYL IN TOKYO

HONDA, the Japanese automotive group which has made the greatest gains expanding overseas, suffered a 23 per cent fall in group pre-tax profits to Y87.9bn ($647.3m), due mainly to the strong yen, in the seven months to September.

Meanwhile, Suzuki Motor, another producer of both cars and motor cycles, also reported large exchange losses, but managed to boost pre-tax profits by 19.4 per cent to Y9.7bn in its six months to September.

Although Honda's sales rose 5.6 per cent to Y1,778bn, the rise in the yen squeezed its margins. The company said the "strength of the yen was the biggest factor in our result." Net profits were 5.9 per cent down at Y50.8bn. Comparisons are with a hypothetical seven-month period in 1986; Honda is changing its year-end to March.

Car sales rose 9.1 per cent to Y1,226bn, or 69 per cent of the total. Motorcycle sales fell 10.9 per cent to Y208bn mainly due to the efforts to reduce dealers' stocks in a stagnant market. Sales of lawn mowers and other engine-driven products fell 8.7 per cent to to Y75.7bn and sales of parts and other revenues rose 9.9 per cent to Y268bn.

Honda said car sales were strong in Japan and overseas, especially in the US, where local production increased. The company sold 980,000 cars in the period, against 764,000 in the six months to August 1986.

Suzuki's sales were up 3.3 per cent to Y374.8bn, due to brisk sales of four-wheel vehicles. Car sales totalled Y279.6bn, up 11.2 per cent, while motorcycle sales fell 23.8 per cent to Y51.7bn.

Exchange losses of Y9.6bn were more than offset by cost cutting measures and the introduction of higher value products.

After-tax profits fell 11.7 per cent to Y2.7bn or Y8.81 per share against Y10.17. Suzuki maintained its Y3 interim dividend and forecast full-year pre-tax profits up 1.5 per cent to Y17bn.

Higher yen boosts Japanese food sector

By Carla Rapoport in Tokyo

WHILE Japan's exporters are struggling with the effects of the high yen, the country's food industry has become a major beneficiary of the appreciated currency.

A wide range of leading food companies, from millers to confectioners, have reported marked increases in profits. They say the advances are largely because of the cheaper costs of imported raw materials.

Two of the leading dairy product companies, **Meiji Milk** and **Morinaga Milk**, for example, showed 16.6 per cent and 8 per cent increases in pre-tax profits respectively for the six months to September. This was in spite of fierce competition, sluggish sales growth in many areas, and higher promotional costs.

Meiji Milk's pre-tax profits reached Y4.4bn ($32.4m) on sales little changed at Y190bn for the six months. Butter sales dropped by nearly 20 per cent. Morinaga showed pre-tax profits at Y4.6bn with sales up 6 per cent to Y172bn. Citing lower raw material prices, both companies have revised upwards their full-year forecasts.

In confectionery, **Morinaga & Co** and **Meiji Seika**, two industry leaders, also reported sharp advances in profits. Morinaga, Japan's largest maker of sweets, lifted pre-tax profits by 32.3 per cent in the six months to Y715m. Sales grew by 2.1 per cent to Y59.5bn. The company said increased depreciation costs associated with plant construction and higher spending on sales promotion were more than offset by lower material prices

Meiji Seika showed a 13.9 per cent jump in pre-tax profits to Y3.6bn on sales down by 3.7 per cent to Y93.2bn. The company said the decline in sales was due to sluggish demand for confectionery.

Nippon Flour Mills and **Nisshin Flour Milling**, Japan's two largest flour millers, also reaped the harvest of the stronger yen. Nisshin reported pre-tax profits up nearly 20 per cent to Y6.2bn on sales down by 3 per cent to Y140bn. Nippon Flour showed pre-tax profits up by 23.3 per cent to Y2.1bn on sales down by 3.3 per cent to Y73bn.

Nisshin Oil Mills, however, showed a profit decline in the period with sales down 17.4 per cent to Y53.2bn. Pre-tax profits tumbled by 28.3 per cent to Y3.3bn.

Finance lifts Japan's traders

BY OUR TOKYO STAFF

JAPAN'S six largest trading houses, which operate almost across the whole range of the country's commerce, yesterday posted results which showed the impact of the strong yen, a rise in crude oil prices and windfall profits from investments.

C Itoh said a Y1.4bn ($10.3m) gain in financial items was the main reason behind its increase in profits to Y20.1bn pre-tax. The group, the most expansive of the traders in recent years, forecast a 14.2 per cent increase in pre-tax profits for the year to Y40bn.

Mitsubishi Corporation and **Mitsui & Co**, which have both boosted profits in recent years by selling securities holdings, posted gains in interim profits but forecast declines for the year as a whole. Mitsubishi said profits would be down 24 per cent to to Y60bn pre-tax. Mitsui predicted a decline of 27 per cent to Y40bn.

Sumitomo Corporation, the Osaka-based trader, said a Y7.23bn increase in financial items offset a Y6.47bn decline in sales of securities. **Marubeni** also pointed to an improvement in financial items - declining interest rates - as a big contributor to profits. Both companies forecast unspecified profit increases for the full year.

JAPANESE TRADING HOUSES

	Sales		Pre-tax profits		Net profits	
	Ybn	%	Ybn	%	Ybn	%
C. Itoh	7,404	+ 7.3	20.1	+18.3	5.9	+13.7
Mitsui	6,755	+ 7.9	21.6	+20.2	5.1	+11.3
Sumitomo	6,708	+ 4.3	23.4	+1.4	12.1	+ 9.6
Marubeni	6,472	+ 5.2	18.8	+1.3	5.9	+16.7
Mitsubishi	5,942	+ 2.1	35.7	+22.9	13.7	+28.6
Nissho Iwai	4,506	+25.3	6.5	- 8.6	3.6	+57.7

Parent company results, half-year to September

Chairman and founder of Samsung dies at 84

BY MAGGIE FORD IN SEOUL

MR LEE Byung Chull, the chairman of Samsung, South Korea's largest company, died yesterday at the age of 84, signalling the beginning of the end of an era for the country's large conglomerates.

Mr Lee built Samsung's worldwide reputation in electronics. Sales were more than $15bn in 1986 and the company was rated 37th on the Fortune 500 index.

Mr Lee founded the company in 1938, when the country was occupied by the Japanese, as a general trading company operating in Manchuria and northern China. The business collapsed during the the Korean war in 1950 but was relaunched producing sugar and textiles when the country started its rebuilding effort.

Samsung started making electronics products such as simple black and white television sets in the early 1970s and expanded strongly into high technology areas such as semiconductors, aerospace, genetic engineering and computers in the early 1980s.

Mr Lee's management approach has tended to follow Japanese principles, with highly professional management

Company Notices

RUSTENBURG PLATINUM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 05/22452/06
DECLARATION OF DIVIDEND

A special dividend No. 68 of 90,0 cents per share, South African currency, has been declared payable to members registered in the books of the Company at the close of business on 16 October, 1987. The conditions of payment, which can be obtained from the Company's Head Office or from the London Secretaries, provide inter alia, that the dividend shall be converted to the United Kingdom currency at the rate of exchange quoted by the Company's Bankers on 16 November, 1987. South African Non-Resident Shareholders Tax at the rate of 15% and United Kingdom Income Tax will be deducted where applicable. Dividend warrants will be posted on 27 November, 1987 and will be payable on 30 November, 1987.

By order of the Board
Johannesburg Consolidated Investment Company, Limited
Secretaries per: R.B. Appleton
Head Office and Registered Office:
Consolidated Building, Corner Fox and Harrison Streets, Johannesburg 2001.
P.O. Box 590, Johannesburg 2000
London Secretaries:
Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.
19 November, 1987

END OF ERA FOR AN INDUSTRIAL POLICY

French machine tool group heads into bankruptcy

BY PAUL BETTS IN PARIS

MACHINES FRANCAISES Lourdes (MFL), the heavy duty machine tools group, is the latest large French machine tool maker to go bankrupt.

The Paris commercial tribunal yesterday placed the company in the hands of a judicial administrator in order to assess its financial situation and recovery possibilities.

The decision marks the end of a costly five-year effort by the authorities to draw up a government-backed programme to reorganise the troubled machine tool industry. It also reflects the radical change in industrial policy during the last two years in France with the right-wing government reducing direct state subsidies for industry in favour of a more market-orientated approach.

The bankruptcy of MFL is all the more symbolic since the machine tool programme launched in 1982 was the first major industrial policy decision taken by the socialist government after the left's landslide electoral victory the year before.

The Government had invested about FFr3.5bn ($612.9m) in its machine tool plan to support what it had considered as a key strategic industrial sector. The original idea was to regroup several small troubled machine tool concerns in several big groups accounting for about 60 per cent of the country's machine tool production.

With the recession in the sector and the difficulties of these state-backed concerns to compete against Japanese and other European producers, several French companies either went bankrupt or were taken over by Japanese or other European groups.

Comau, the Fiat machine tool subsidiary, recently took over Intelautomatisme, the West German Gildemeister concern absorbed Sonim and the Japanese Amada group took over Promecam. Toyoda has also taken control of Ernault Somua, one of the country's leading manufacturers.

During the last six years, the industry has seen employment decline from 20,000 in 1981 to barely 11,000 people today. Turnover has fallen from FFr6.3bn six years ago to FFr4.6bn last year, with foreign imports continuing to make significant inroads in the French market.

With sales of about FFr650m and employing about 1000, MFL was one of the last big remaining groups. It specialised in heavy duty tools, regarded as a strategic area. Despite state subisidies totalling about FFr900m, MFL continued to be plagued by losses. The company is expected to lose about FFr80m this year.

Despite the decision of the right-wing government and of Mr Alain Madelin, the liberal industry minister, to reduce state subsidies to troubled industries, the Government had sought to find a solution for MFL in recent months. It had asked Morgan Grenfell to try to find new investors to back MFL.

A French group, Brisard-Nogues, and a Belgian-Israeli group, TP Industries, emerged as potentially interested investors to take control of MFL, but the banks refused to back their proposals forcing MFL into the bankruptcy court.

The Government is nw reviewing several solutions to salvage MFL. Brisard-Nogues is still understood to be interested in the troubled group, while the management of one of MFL's subsidiaries has proposed a management buy-out of the Forest-Line subsidiary.

The collapse of MFL is seen in France as the end of the era of intervenionist industrial policies.

Alcatel sees higher earnings

BY OUR PARIS STAFF

ALCATEL CIT, the French public telecommunications subsidiary of the new Alcatel NV telecommunications group, expects to report net earnings of between FFr350m and FFr360m ($63m) this year compared with FFr300m last year.

Mr Pierre Guichet, Alcatel CIT's managing director, said that earnings would total about 2.5 per cent of sales which are expected to be between FFr14bn and FFr14.5bn. He added that earnings last year were 2 per cent of sales of FFr15bn.

The decline in sales reflects weak conditions in the public telecommunications market with a small decline in public switching equipment sales and a slight increase for transmission material and systems.

However, Mr Guichet said rationalisation and productivity improvements had helped profitability. The company had completed the integration and rationalisation of the Thomson telecommunications operations it took over a few years ago.

As a result of the Thomson merger and slowdown in the public telecommunications market, Alcatel CIT has had to reduce its workforce by 2,600 during the last two years, leaving the CIT parent company's workforce at 16,000. Mr Guichet warned that the group would have to continue reducing its workforce.

Alcatel CIT is now integrated into the Alcatel NV group formed at the beginning of this year by the merger of the telecommunications activities of Compagnie Generale d'Electricite (CGE), which controls Alcatel, and those of ITT of the US.

Alcatel NV, the world's second largest telecommunications concern after AT&T, employs about 150,000 people and is expected to report sales of about Ecu12bn this year. Mr Guichet said Alcatel NV had decided to report its figures using the European currency unit.

Mr Guichet expects Alcatel CIT to register a total of about FFr1bn in new public switch orders this year. On the transmission side, Alcaltel CIT is expected to win about FFr 1.2bn worth of new orders this year in this sector.

Alcatel is competing for the payload contract of the new Telecom 2 satellite and its military system Syracuse 2 in a deal which would be worth for the French company between FFr 5bn and FFr6bn over a five year period.

MoDo group gains control of Holmen

By Our Stockholm Correspondent

THE BOARD of Marieberg, the Swedish newspaper and publishing group, has voted in favour of accepting a SKr1.4bn ($230m) offer from MoDo, the Swedish pulp and paper group, for a stake in Holmen, a domestic rival in the forest products sector and Europe's leading newsprint producer.

The decision means that MoDo and its affiliate, Iggesund, now have control over Holmen with 77.6 per cent of the votes and 42.4 per cent of the share capital.

Mr Matts Carlgren, MoDo's chairman, is keen to build up a third force in the Swedish forestry industry to challenge Stora and SCA, the country's two leading forestry companies.

MoDo made its offer of SKr1.4bn for Marieberg's 30.6 per cent voting stake last month.

Atlas Copco lifts profits by 5% for nine months

BY SARA WEBB IN STOCKHOLM

ATLAS COPCO, the Swedish mining, construction and industrial equipment manufacturer, has increased profits, after financial items, by 5 per cent to SKr553m ($91m) for the first nine months.

The group said the rise was due to strong growth in volume, particularly during the third quarter, and to reduced administrative costs.

Atlas Copco expects full-year profits to exceed the 1986 figure of SKr730m. It believes that the outlook for the industrial sector during the rest of 1987 is relatively favourable as it expects the mining sector to show some improvement and predicts that demand in the building and construction sector in industrialised countries will remain firm.

However, Atlas Copco is less optimistic about 1988, saying that investments in machinery will increase, but at a lower rate than in 1987.

Group invoiced sales increased by 11 per cent to SKr8.17bn, against SKr7.34bn in the comparable period last year. Atlas Copco acquired the tools and equipment business of Chicago Pneumatic in the US in June which contributed about SKr340m to invoiced sales, but which has not yet had a significant effect on earnings.

Order bookings rose by 7 per cent to SKr8.66m. Atlas Copco said that demand from Western Europe had been strong with higher demand for industrial compressors and hand held tools in the manufacturing industry. Invoiced sales for the airpower division, which makes compressors, showed a 9 per cent increase to SKr3.83bn.

Sales of mining equipment were helped by the increase in metal prices and the favourable development of the mining industry.

Building and construction sector sales in Western Europe showed a positive trend.

Buehrmann raises forecast

BY LAURA RAUN IN AMSTERDAM

BUEHRMANN-Tetterode, a leading Dutch maker of paper, packaging and graphic arts, reports buoyant third-quarter results and has lifted its forecast of full-year profits to nearly Fl 130m ($68.7m).

Compared with last year's Fl 93m that would be an increase of about 40 per cent and continue a trend of rapid earnings growth in recent years.

Third-quarter figures were not broken down separately, but for the first nine months net income soared by 57 per cent to Fl 72m from Fl 46m a year earlier. Higher sales volume, especially in industrial paper and packaging, plus lower interest charges and more modest tax payments accounted for the healthy rise. Operating profits expanded by 14 per cent to Fl 154m.

Turnover climbed 12 per cent to Fl 2.7bn in the January to September period from Fl 2.4bn a year earlier, although the advance was only 9 per cent without acquisitions. Two companies were purchased in the third quarter: Summit Office Supply of the US and Sentinel Foam Products of Belgium, a manufacturer of protective packaging.

The capital goods division led the nine-month improvement, fuelled by robust sales of graphic equipment, office automation equipment and specialty packaging equipment. The order portfolio is expected to result in a high level of deliveries in the third quarter of this year and the first quarter of next year.

The industrial products division - which makes solid board, corrugated board, protective packaging and graphic paper - maintained profits by expanding sales volume to offset declining prices.

Schering holds sales steady

SCHERING, the West German pharmaceuticals and chemicals group, reported sales of DM3.88m ($2.31m), only slightly below last year's first 10 months, writes Leslie Collit in Berlin.

Turnover gathered momentum in the third quarter, rising 8 per cent and by the end of the year sales are expected to equal the 1986 level.

Sales in West Germany rose, but slipped in foreign markets in D-Mark terms because of the falling value of the dollar and other currencies.

Pharmaceuticals rose 6 per cent to DM1.88m as a result of excellent sales in West Germany, Italy and Japan.

Competition will be fierce in Japanese CP, reports **Ian Rodger**

Paper war under way in Tokyo

A POTENTIALLY long and bitter war between Japan's leading banks and securities companies got under way this morning as the country's new commercial paper (CP) market opened for business.

The opening marks the first time since the erection of a segregated financial system in Japan after the Second World War that the two sectors have been able to compete directly with each other. The early indications are that they will compete fiercely.

Interest rates being offered on some initial blue chip clients' CP by various houses are under 4 per cent, less than the best short-term borrowing rates offered by banks and, perhaps more important, less than the banks' three-month certificate of deposit rate.

The securities companies, which are forbidden to make loans, see the CP market as an opportunity to take loan business away from the big banks. The banks, which have opposed the introduction of CP, will be fighting hard to keep their customers.

"There is no real need for this market," said Mr Yoh Kurosawa, deputy president of the Industrial Bank of Japan. However, IBJ is not going to sit on the sidelines and complain. It is sharing in the underwriting of an issue today by Hitachi, the electric group, one of its most important clients.

According to one estimate yesterday, as many as 18 banks and a similar number of securities houses would be competing for underwriting contracts. The result looks like being an issuers' market.

Cheap costs

"The issuing cost is very cheap because of the competition among dealers," an executive of Nomura Securities, Japan's leading brokerage house, said yesterday.

He confirmed that the interest rates being offered to Mitsubishi, the leading trading house which planned to issue about Y250bn worth of CP today, was "just below 4 per cent."

Many of the other 18 companies expected to issue CP on opening day would also benefit from the very low rates. Among them are Fujitsu, Japan's leading computer group, and Kubota, the farm equipment maker.

The Ministry of Finance expected that a total of Y700bn in CP would be issued today, with the total figure rising to Y1,000bn by the end of the year. The ministry believes CP will become an important factor in the short-term financing of businesses in Japan, and foresees an ultimate expansion of the market to about Y8,000bn.

However, growth will be slowed initially by a number of restrictions placed on the market by the MoF. For example, only 180 companies will be allowed to issue CP and, of those, only 53 will be allowed to issue the paper without a bank guarantee. The maturities are being limited to between one and six months and the minimum denomination is Y100m. The MoF has agreed to review the rules in a year's time.

The opening of the CP market is one of the milestones in the gradual liberalisation of Japan's financial markets and institutional structure. It has come about sooner than expected, mainly as a result of pressure from the big Japanese securities houses. In addition, the US and other foreign governments have been pushing the Japanese authorities to make their short-term money markets work better.

Equal rights

The legal restriction against banks dealing in securities was overcome by defining CP as promissory notes. Thus, both banks and brokers have equal rights in underwriting and dealing in CP.

However, as the CP market will almost certainly cause an erosion of the banks' loan business and margins, the banks can now be expected to intensify their pressure on the authorities to allow them to enter other securities markets.

● From today, the MoF will also allow the issue of Euroyen CP overseas by certain non-resident companies, including some overseas subsidiaries of Japanese companies. By the end of the year, non-residents will be allowed to issue yen CP in Japan. However, overseas subsidiaries of Japanese companies will not be allowed to bring the proceeds of their Euroyen CP into Japan.

Crash will not hit financial globalisation

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE OCTOBER crash in world stock markets will not reverse the trend toward globalisation of the financial markets and 24-hour trading but will increase caution about the process.

This is one conclusion from a survey, published yesterday, commissioned by Coopers & Lybrand, the accountancy firm, into the global securities markets.

In the survey, senior executives of 45 leading financial institutions in Tokyo, London and New York were interviewed on their opinions of the global financial market. Just over half were reinterviewed after October 19 to find out how their judgments had changed.

"The effect of Black Monday will be to pay greater attention to risk management and to accelerate the right level of technology and personnel. The commitment to global trading continues, although a minority feels its development will now slow down," the report concludes.

Most interviewed said they believed the October market crisis would encourage greater international cooperation on regulation of trading, and on clearing and settlement, and more cooperation among financial services organisations internationally.

The survey also detected an "early indication of the likelihood that the crash will accelerate the polarisation between a few truly global players and the rest."

Mr Angus Hislop, director of the firm's financial services consulting division, said the survey suggested the risks associated with equities and options trading, and arbitrage, would be reexamined after the crash.

"People are going to put more development into the technology needed to manage risk," said Mr Hislop.

The survey, most of which covers the response to questions put before the crash, exposed a large gap between the US and the other two markets in the use of electronic technology to identify trading opportunities and strategies. Some 85 per cent of those surveyed in the US said they already used such technology, compared with only 40 per cent in the UK and 41 per cent in Japan.

Financial institutions blame regulatory and tax differences around the world for market distortions, but do not expect efforts to reduce them to have much effect soon. In fact, the findings strongly indicate that international trading "will increasingly be managed to gain advantage from tax and other regulatory differences between countries."

Mr Angus Hislop of Coopers & Lybrand

The main concern of those gearing up to trade globally is "coordinating trading strategy worldwide to maximise the organisation's profits and minimise risks." Half of the organisations report that trading strategies worldwide are guided from their headquarters, while 30 per cent say all decisions are made at the individual market level.

Only 10 per cent currently record international trades on a continual basis at the headquarters office, but as many as 30 per cent reckon they will be operating that way in two years.

Global trading is not viewed as particularly profitable, with a majority of those interviewed before the crash viewing only equity securities as offering a high profit.

Coordinating technology worldwide was also viewed as a serious concern, while settlement was also viewed as presenting potential problems. However, the single biggest problem posed for organisations by 24-hour trading is regarded as difficulties with personnel or staffing.

Opportunity and Risk in the 24-hour Global Marketplace; Coopers & Lybrand; £550.

SMS sees long-term decline in profits

By Peter Bruce in Duesseldorf

SMS SCHLOEMANN-Siemag, the West German rolling mill and engineering group, has reported a marginal rise in net profits, to DM34.8m ($20m), for the year ended last July 31, but has warned that it might have to settle for significantly lower profit levels in a few years' time.

Mr Heinrich Weiss, SMS's chairman, also conceded that the group's DM150m investment in its Battenfeld plastics machinery business had been "a big disappointment" so far. Battenfeld, which grew rapidly from the late 1970s to become one of the world's leading producers of injection moulding machinery, recently announced a small loss for last year.

SMS is controlled by West Germany's biggest engineering group, MAN, the former Gutehoffnungshuette (GHH).

The DM800,000 jump in net profit was achieved on turnover of DM1.3bn. However, DM551m of that figure was booked by the group in its capacity as a consortium leader on various projects and more accurately reflects work done by subcontractors.

Mr Weiss said the affects of the fall in the US dollar had not played a significant role in the group's results but had clearly made life difficult for Battenfeld.

Battenfeld's management had been strengthened, he said. Because the company had grown so fast, the original management had been unable to focus on strategy and had been overwhelmed by day-to-day decisions.

Battenfeld was to have been SMS's way out of depending too much on shrinking markets for steel and aluminium rolling mills.

Battenfeld had lost money by not insuring its Australian dollar financing of exports to that country, a glass machinery division had failed to keep step with the markets and was "deep in the red" and the US dollar had made the US market very difficult.

In a few years, said Mr Weiss, "the nice profits" of DM30m plus would be over, though even at about DM25m on present turnover, SMS would not be doing too badly.

Veba plans to spend DM20bn

By David Marsh in Bonn

VEBA, the large West German energy and chemicals conglomerate, plans capital investment of DM20.1bn ($12bn) during the next five years.

The investment programme, to be centred on its electricity generating activities, was announced yesterday along with figures showing the Veba group increased net profits only marginally to DM492m in the first nine months of 1987 against DM[illegible] in the same period last year.

Turnover fell 1.5 per cent to DM29.7bn from DM30.1bn. Electricity sales rose 2.6 per cent to DM7.4bn but oil turnover fell 8.3 per cent to DM6.7bn and chemical activities dropped 3.1 per cent to DM3.6bn.

Veba said profitability remained good in the electricity sector, where its activities centre on its utility subsidiary PreussenElektra.

The utility, which relies on nuclear energy for 70 per cent of its generated current, increased overall volume electricity sales by 3.8 per cent on the basis of comparable 1986 figures, compared with a fall of 1.7 per cent in total West German electricity sales throughout the public supply network.

Fixed-asset investments in nine months fell to DM1.52bn from DM1.9bn as a result of a drop in power station spending.

Rank increases loan facility to £450m

By Our Euromarkets Staff

A FINANCING for the Rank Organisation, the UK entertainments group, has been increased to £450m from the original target of £250m after success in syndication.

The financing, a multi-option facility which allows the company to draw funds in a variety of ways within the framework of a five-year commitment from a group of 18 banks, will replace existing credit lines, and support its business expansion plans.

It carries a margin of 10 basis points, a facility fee of 7.5 basis points on the so-called available portion - initially £225m - and 5 basis points on the rest, and a 2.5 per cent utilisation on the whole amount if drawn more than half drawn.

Issues in D-Mark and Eurosterling sectors

BY CLARE PEARSON

SPECULATION THAT a number of new issues were about to emerge enlivened the Eurobond market yesterday, although only two borrowers - Northern Telecom and Ireland - had launched bonds by the end of the day.

Ireland tapped the D-Mark market with a DM300m seven-year 6¼ per cent issue which was seen as tightly priced.

But Commerzbank, the lead-manager, said the bond was priced in line with market conditions. It cited a recent issue for BFCE, whose price had jumped over the last few days. It was bid yesterday at its issue price to give a yield of 6 per cent.

Commerzbank quoted Ireland's par-priced issue at less 1¾ bid. But other dealers said the bond was trading at around the level of its total 2¼ per cent fees.

Prices in both the domestic and Euro-DM market rose by about ½ point at the long-end. Trading was active, helped in part by Wednesday's public holiday in West Germany, which had left a backlog of client orders and by the weaker dollar.

Northern Telecom, the Canadian telecommunications company which is 52.4 per cent owned by Bell Canada Enterprises, launched a £60m issue in the Eurosterling market to an unenthusiastic response.

Dealers said the terms of the 9¾ per cent five-year bond, priced at 100⅜, were about right, but added that the borrower's name was unlikely to capture the imagination of retail investors in the current environment.

One dealer said he had seen the bond bid as low as less 2¼, at one point, but it was supported later at less 1⅞, the level of its total fees. Baring Brothers, the lead-manager, said the proceeds would be used to replace some short-term debt taken out to finance the company's 27.5 per cent holding in STC.

INTERNATIONAL BONDS

Rumours that Belgium was about to issue a 10-year Y50bn bond made for volatile early trading in the Euroyen sector yesterday, though the issue failed to appear in the course of the day.

Belgium has been expected to launch a new issue for several weeks, though dealers had thought it would appear in the Eurodollar sector. A window opened in the swap market yesterday morning, triggering the speculation.

However, Morgan Guaranty - tipped as the lead manager - said that as far as it knew, Belgium was still looking at bids from potential issuers.

Euroyen dealers said rumours were circulating of a number of other new issues, notably one for Mortgage Bank of Denmark. The sector continued to see active two-way retail participation, with buying believed to be fuelled by institutional accounts switching out of Japanese government bonds.

In the Eurodollar market, prices remained locked in a narrow band, as dealers waited for an announcement from Washington about measures to reduce the US budget deficit.

In Switzerland, prices closed a touch firmer in active turnover. A SFr100m 5¼ per cent bond for the Austrian province of Styria closed at 101, which was ½ point higher than its issue price and ¼ point firmer on the day.

Privatbanken led a DKr100m 9¾ bond, due 1993 and priced at 96½, for Svenska Export Credit. This was a further tranche of an existing bond, launched in January last year. The tap facility can be extended up to DKr1bn.

Svenska Export Credit's bond was largely pre-placed amid overall weak demand for Euro Danish kroner paper.

Redi resigns from Citicorp

BY DAVID LASCELLES, BANKING EDITOR

MR FRANCESCO Redi, the head of Citicorp's UK domestic investment banking operation, is leaving to pursue other business interests. He will be succeeded by Mr John Robertson, Citicorp's regional treasurer covering Europe, the Middle East and Africa.

Mr Redi, 53, said yesterday that he might set up his own business in partnership with friends. "I'd like to create something that I can leave to my children," he said.

Mr Redi is the latest of several senior executives to leave Citicorp's London operation, mainly out of dissatisfaction with the group's strategy and heavy emphasis on cost control. Citicorp's London-based investment banking operation employs 1,500 people and covers corporate finance, fixed income securities, foreign exchange and exposure management products.

● Meanwhile, Prudential-Bache, the US investment banking group, said it is to phase out its London-based trade finance operation. It said a business review had shown that the operation did not fit the group's long-term strategy.

The operation employs about 120 people worldwide, with about 40 in London. Some will be absorbed by the rest of the company, while others will be phased out over the next six to nine months.

● Mr Philip Keevil, joint head of the international department of Lazards Freres in New York, is to join SG Warburg Group's US office. He will be in charge of the group's US mergers and acquisitions business.

Mr Keevil, 41, joined Lazards from Morgan Stanley in 1979 and became a general partner of Lazards in 1983 where he had particular responsibility for cross border mergers and acquisitions.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price

† Only one market maker supplied a price

[illegible]

Burton rings up £183m and raises market share

BY NIKKI TAIT

Burton, the retail group whose outlets range from Top Shop and Top Man through Harvey Nichols to the Debenhams group, yesterday rang up a 23.3 per cent rise in pre-tax profits at £183.4m in the year to August 29 - slap in line with City estimates.

The increase was scored on a 9.9 per cent sales rise to £1.34bn. However, excluding businesses which have been disposed of, the increase rises to 16.4 per cent.

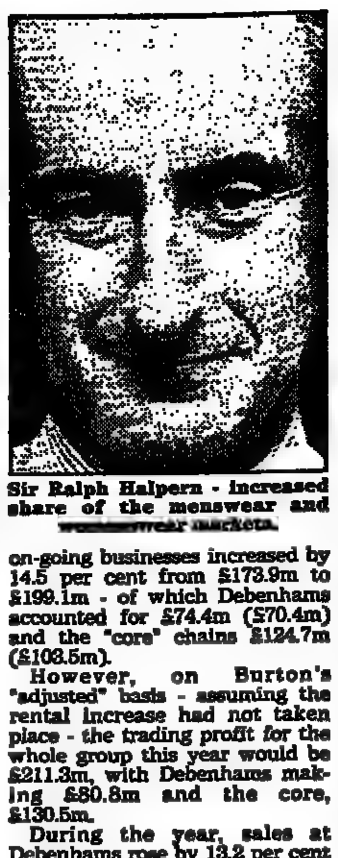
At the earnings per share level, the fully diluted figure (using the 34.9 per cent actual tax charge) rose from 17.4p to 20.2p - a 16.5 per cent improvement.

Yesterday, Burton's chairman and chief executive, Sir Ralph Halpern, said that the results continued the "outstanding growth achieved since 1978."

The company, he revealed, had increased its share to 13.5 per cent of the menswear market and 8.5 per cent of womenswear, and he remained confident that its previously-declared target of doubled market shares - around 26 and 16 per cent respectively would be met within five years.

Any breakdown of figures is still complicated by Burton's recent debt restructuring, in particular the £100m sale and leaseback arrangement which it announced 15 months ago. This had the effect of reducing the group's interest bill by some £13m over the year; rents paid by the operating companies, however, increased by £12m - so the net benefit is around £1m.

On the reported figures (which included the increased rental charge), trading profits from the



Sir Ralph Halpern - increased share of the menswear and womenswear markets.

on-going businesses increased by 14.5 per cent from £173.9m to £199.1m - of which Debenhams accounted for £74.4m (£70.4m) and the "core" chains £124.7m (£103.5m).

However, on Burton's "adjusted" basis - assuming the rental increase had not taken place - the trading profit for the whole group this year would be £211.3m, with Debenhams making £80.8m and the core, £130.5m.

During the year, sales at Debenhams rose by 13.2 per cent to £493.9m - an improvement which the company says was 8 per cent volume, 4 per cent price and 1 per cent extra space. On the reported basis, therefore, margins slipped from 16.1 per cent to 15.1 per cent, but after allowing for the additional rental charge there was a suggested underlying improvement to 16.4 per cent.

Equally on the core chains, where sales were up by 18.6 per cent to £809.4m - of which half was volume and six per cent additional space - the reported margin only edged ahead from 15.2 per cent to 15.4 per cent. On the adjusted basis, it rose to 16.1 per cent.

Yesterday, Burton said that it intended to have 80 per cent of the Debenhams chain modernised or developed by October next year. In the year under review, only six per cent of the chain had been updated, although total capital spend rose by 31 per cent to £147.3m.

It also revealed that the amount of concession business within Debenhams was now down to 37 per cent, compared with 50 per cent when Burton took over.

Sales in Debenhams in the first 11 weeks of the current year showed a 20 per cent improvement, Burton maintained - of which space and price explained 5 per cent. However, the company refused to be drawn on a comparable figure for the core activities - beyond saying they were on target.

Below the line, Burton had a £6.9m extraordinary credit, largely the release of earlier rationalisation cost provisions, and the tax charge - unchanged at about 35 per cent - was £64.1m. The total dividend for the year goes up 26 per cent to 7.2p via a final of 5.2p.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Beecham ....int	5.6	Feb 1	5.1	-	13
British Gas ....int	2.5	Mar 30	-	-	4
Bromsgrove Ind ....int	0.65†	Jan 18	0.5	-	1.65
Burton ....fin	5.2	Feb 12	4.1	7.2	5.7
Capital Radio ‡ .....fin	4	Jan 11	-	6	-
Chloride Group .....int	0.5	Jan 4	nil	-	1.9
de Morgan§ ....int	0.65	-	-	-	-
Just Rubber § ....int	0.7	Jan 6	0.64	-	1.92
King & Shaxson ....int	2.5	Dec 15	2.5	-	8.75
Locker (Thomas) ..int	0.38	-	0.38	-	1.3
Plessey ....int	2.38☆	Mar 1	2.38	-	5.79
TR Property ....int	0.55	-	0.53	-	1.4
Witan Inv ....int	1.05	-	0.85	-	2
Wyndham Group ...int	1†	April	0.8	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ☆Carries share alternative except for US and Canadian holders. ‡ Obtained listing in February 1987.

Rex Williams

Rex Williams Leisure, entertainments group, is paying about £80,000 for 3001 Space Adventure, maker of space entertainments and educational theme projects.

Space Adventure is to start a £1m development on a site in Tooley Street, London, which is adjacent to the London Dungeon. It hopes to attract more than 1m visitors a year following its opening in the spring of 1988.

Rex Williams, whose board members include the snooker player of the same name and boxing promoter Frank Warren, will pay for Space Adventure, owned by Mr Edward Dove, by the issue of 150,000 shares.

Virgin bid for Allen gives it a 67% stake

By Clay Harris

Virgin Group, Mr Richard Branson's entertainment and leisure company, has ended up with nearly a 67 per cent stake in W.H. Allen, the book publisher.

Virgin was obliged to make a full offer, valuing Allen at £4.5m, after securing majority control in September. However, it had not aimed to buy out the minority and is believed to be satisfied with the 15.3 per cent acceptances it received.

Most of the Allen shareholders who did not accept the offer had subscribed in 1984 under the Business Expansion Scheme. They stand to lose tax relief on their investment if they sell before 1989.

Some BES investors did accept, however, because Virgin's 25p offer price was high enough to give them a profit on their 17p gross subscription price even after clawback of tax relief.

Allen shares will continue to be traded over the counter on a matched-bargain basis by Guidehouse Securities, the original BES sponsor.

Virgin sold its own publishing interests to Allen in the autumn of 1986, in exchange for an initial 23.5 per cent stake.

Portals to buy Servelec Group

By Heather Farmbrough

Portals Holdings is to buy three related private UK companies, Servelec, Servelec Trading and Seprol, forming the Servelec Group.

Servelec, which is based at Eckington, near Sheffield, is a leading supplier of instrumentation, control and automation systems to a number of major market sectors.

Portals is paying an initial consideration of £5m to be satisfied by a shortlisted loan and other notes. There is a further consideration which will not exceed £5.16m which is expected to be payable later depending on the profit performance of Servelec in the two years to August 1989.

Richard Tomkins looks at the KIO's biggest investment yet

Kuwaiti share raid shakes BP

THE KUWAITI Government's raid on British Petroleum's shares this week was one of the biggest the London stock market has seen. By the market's close on Wednesday, the Kuwait Investment Office had spent nearly £500m on BP's partly-paid shares and held more than 10 per cent of Britain's biggest company.

Yesterday the buying spree appeared to have halted. The speculation which accompanied it, however, had not: and the question that everyone was asking - not least BP itself - was whether the stake-building could presage an attempt by the Kuwaiti Government to extend its influence over BP's affairs.

One reason why the answer is far from clear is that the Kuwait Investment Office is an intensely secretive organisation. Even its anodyne statement on Wednesday that the BP stake-building was "a good long-term investment" was uncharacteristically fulsome, and no further comment was forthcoming.

The KIO is the London-based arm of the Kuwaiti Ministry of Finance. It is responsible for investing billions of dollars' worth of Kuwaiti Government oil revenues in London and other international markets.

The funds come from two sources. The main one is the Kuwaiti Reserve Fund for Future Generations, which is believed to have had a value of $50-$60bn before the stock market collapse. The other is the State General Reserve, estimated at around $35bn.

The extent of the KIO's holdings in the London market is unknown because only those amounting to more than 5 per cent of a company's equity are disclosable, and changes in the larger holdings shift so frequently that it is difficult to track them.

The KIO is widely regarded as an astute investor. It customarily takes a contrary view of the market: for example, amid the hectic buying of last summer's bull market, it presciently went liquid in advance of the crash, disposing of stakes in (among others) Hanson Trust, Norton Opax, Trafalgar House and Norfolk Capital.

Its stated policy is to make long-term investments aimed at increasing the capital value of its funds. It does not normally seek representation on the boards of the companies in which it invests, nor does it intervene at management level.

Two companies in which the KIO retains major stakes, in spite of last summer's sell-off, confirm that the relationship is distant. The Royal Bank of Scotland, of which the KIO holds 14.5 per cent, says that contact with the KIO is minimal and the office has never attempted to influence the way in which the bank is managed. Geest, in which the KIO has 14.9 per cent, says there are very occasional telephone contacts, "but they have never come to have a look at the business."

Yet there are several reasons why the market is nervous about the possible effects of the KIO's intentions towards BP.

One is that as well as being one of the wealthiest and cleverest investment institutions in London, the KIO is also among the most unpredictable. In spite of its policy of making long-term investments, it can be remarkably swift on its feet when it sees the opportunity for a quick profit.

Exactly a year ago, for example, the KIO astonished the City when it bought 22 per cent of Exco, one of London's leading money brokers, and within 24 hours sold the stake on to the Malaysian businessman Tan Sri Khoo Teck Puat, taking a £6m turn on the way.

Even should the KIO hold back from intervening in BP's management, therefore , there are lingering doubts about whether it would resist overtures from an eager buyer who might not feel so constrained.

But in any case, the market is not necessarily convinced that just because the KIO has not so far taken an interventionist role, it never will do so. Indeed, the fear is that the temptation will be greater in the case of BP.

This is because the Kuwait Petroleum Corporation, which is also a state-owned organisation, has in recent years been making a determined effort to expand its oil refining and petroleum marketing operations in Europe. In 1983 and 1984, it bought Gulf Oil's refining and marketing interests in the Benelux countries, Scandianvia and Italy, and it has made no secret of its desire to secure a significant share of the UK market.

It was also from the KIO that Kuwait Petroleum bought Hays Petroleum Services last year, a small company distributing petrol to 800 stations in the UK. That enabled the company to launch its Q8 petrol brand in Britain.

It would therefore seem only natural for the Kuwaiti Government to use the KIO's stake in BP as a means of attempting to increase Kuwait Petroleum's access to BP's vast refining and marketing capacity.

Against this theory, it is argued that although Kuwait Petroleum was regarded with some suspicion by other oil companies a few years ago, it has always played by the rules and never yet used the strength of its backing by the Emirate of Kuwait for disruptive or predatory purposes. Further, the KIO has up till now enjoyed considerable independence: although theoretically an arm of the Kuwaiti Ministry of Finance, it has always been left to run itself.

On balance, the stock market seems content to cite precedent and accept the implication of the KIO's statement - that it is a long-term investor in BP, and nothing more. But that leaves the puzzle of why the KIO should have thought the partly-paid stock worth buying at up to 85p a share when most analysts are bearish on oil stocks and considered BP's shares severely over-priced at that level.

One theory is that because KIO has such close links with a major Gulf oil-producing state, it is in an unrivalled position to read OPEC's mind and knows something about oil prices which the rest of the market is not privy to. But most analysts believe that it is simply a case of the KIO being contrary again. They may also be thinking that if the Kuwaitis are buying now, it is time for the bears to turn.

Stake in Tyzack raised

THE Kuwait Investment Office now holds 18.8 per cent of W.A. Tyzack, the Sheffield-based engineer, writes Clay Harris.

The purchase of an additional 5.06 per cent stake followed the KIO's decision to take up its full entitlement under a recent £8.5m open offer to shareholders despite the intervening market crash.

The KIO first bought into Tyzack in April and has not requested board representation. Tyzack views it as a friendly investor. The other significant shareholders are Quail Investment, a Bahamas-registered company, with 13.6 per cent and the associated Jersey-based Quarius Investments, with 7 per cent.

Earlier this year, Quail and Quarius mounted a boardroom challenge to Tyzack which resulted in the compromise election of three directors nominated by the dissidents but the retention of Mr Bill Dacombe as non-executive chairman.

Two blast-cleaning companies recently purchased account for half of proforma group turnover of £25m. The rest is Tyzack's original diversified engineering activities.

British Gas loss reduced mid-term

BY LUCY KELLAWAY

British Gas yesterday announced its first interim results since privatisation which showed a fall in the current cost loss from £69m to £29m for the six months to September.

At the same time, the company said it was reconsidering its proposed C$1.4bn acquisition of a stake in Bow Valley Industries, the Canadian independent oil company. Mr Robert Evans, chief executive of British Gas, said that the revised bid made in October had now been withdrawn.

"We still regard Bow Valley as a very good company, and we would like a majority stake. We are now looking at a modified proposition that would be satisfactory to Bow Valley and to Investment Canada", he said.

The previous bid, under which British Gas would have acquired 51 per cent needed Canadian Government approval before it could go ahead. It had encounted the opposition of the Canadian energy minister, although the position of Investment Canada, with which the final decision rested, has still not been made clear.

Sir Denis Rooke, chairman of British Gas described the interim performance as encouraging. He predicted that results for the year, which depended to some extent on the weather during the winter when the company makes almost all of its money, would be satisfactory.

British Gas announced that its first interim dividend will be 2.5p per share. Mr Evans said that the payout for the full year would depend on current cost results in the second half, although the dividend would not be affected by exceptional weather conditions.

On the vexed question of the pricing policy for industrial customers, Mr Evans said that he thought it likely that Sir Gordon Borrie of the Office of Fair Trading would refer complaints of overcharging to the Monopolies and Mergers Commission. However if British Gas was investigated it was "ready to explain the merits of a policy that has stood the tests of time".

Robert Evans, chief executive British Gas

The improvement in profits so far this year was after interest charges on borrowings taken on at the time of the privatisation.

On a comparable basis the current cost loss of £29m compared to a loss of £189m in the first half of last year.

On an historic costs basis, British Gas made a profit of £113m, against a restated loss of £82m in the first six months of 1986.

During the period turnover fell slightly from £2.59bn. to £2.5bn. This was due in part to lower gas volumes compared to an unusually cold first half last year, and to lower gas prices in the contract markets. During the period, gas sales to the domestic and commercial sectors fell by 8.5 per cent, whereas gas sales to the industrial market rose by 12 per cent. This was because many of the interruptible customers which last year switched to cheaper oil, this year moved back to gas. However British Gas said that if the weather for both periods had been normal, gas sales would have shown an overall advance of 7 per cent.

The 4.5 per cent reduction in domestic prices only came into effect in July, and had a small impact on average revenues, British Gas said.

See Lex

Capital Radio profits doubled

Capital Radio, which came to the market in February, more than doubled its pre-tax profit from £1.71m to £3.94m in the year to September 30 on turnover which rose from £18.46m to £22.34m.

In 1986 there were reductions in the IBA primary rental and in the rate of royalties and Exchequer levy payable by Capital. Pre-tax profits for the year to September 30 1986 prepared on the basis that these reductions had applied throughout the financial year were £2.39m.

Profit before rentals and levy amounted to £5.44m (£3,61m) and £3.64m (£1.55m) after; taxation is £1.44m (£706,000) and there was an extraordinary item of £450,000 (nil).

Earnings per 10p ordinary are 16.3p (6.6p) for the dividend which is a total of 6p (3.4p), the final being 4p.

● comment

Capital Radio's first full year results since its listing in February vindicate the enthusiasm of those who oversubscribed for the issue by 62 times. Radio has long been television's poor relation, but it has at least become a wealthier one. Advertisers seem to be recognising increasingly that radio is not only a cheaper way to advertise than television, but effective too. Capital's advertising revenue - its principal source of income - was up by 17per cent on 1986 figures and the trend looks set to continue over 1987/8. The forthcoming White Paper on radio broadcasting should offer Capital the chance to flex its muscles in related areas. Its recent purchase of a shareholding in Independent Radio News and Devonair signals its determination to make the most of its own industry. Advertising revenue is notoriously difficult to predict, but it seems likely that Capital should report pre-tax profits of at least £4.7m this year. This puts the shares, up 12p at 173p, on a prospective p/e of under 9, a justified premium to the cheaper television companies.

Cut in interest charge helps Beecham advance to £181m

BY CLAY HARRIS

Beecham Group, drugs, cosmetics and consumer products company, yesterday reported a 17.6 per cent rise in pre-tax profits to £181.2m and announced its first dividend increase at the interim stage since 1984.

The pre-tax advance from £164.1m was achieved on turnover 11 per cent lower at £1.21bn (£1.36bn) in the six months to September 30. However, sales from continuing activities rose by more than 8 per cent to £1.17bn (£1.08bn).

Mr Robert Bauman, chairman, said Beecham was making progess towards meeting its financial objectives, including surpassing US and UK rivals in earnings-per-share growth, a target missed in recent years. First-half earnings rose by 18 per cent to 14.07p (11.92p).

This advance enabled Beecham to raise the interim dividend by nearly 10 per cent to 5.6p (5.1p) while increasing the retained profits available for re-investment.

Prescription and over-the-counter medicines accounted for 65 per cent of trading profit, a slight increase despite the decline in contribution from the latter as a result of heavy advertising investment. This had helped to make Beecham's Tums the leading antacid tablet in the US.

RESULTS BY DIVISION

	Sales (£m)	% change	Trading profits (£m)	% change
Prescription medicines	375.5	+8	119.4	+14.4
OTC medicines	122.7	+2.3	33.9	-3.7
Toiletries, drinks etc	422.5	+11.6	59.4	+10.4
Cosmetics	248.9	+8.2	25.1	+17.8
Discontinued ops	36.1	-87.2	3.4	-67
Total	1205.7	-11.4	186.6	+3.8

Beecham expects to seek US and UK regulatory approval for Eminase, its new heart attack medication, before April 1. It was gaining acceptance in West Germany, the only country where it has been launched. Only price approval is awaited in Belgium.

Worldwide sales of Augmentin, a broad-spectrum antibiotic, increased by 55 per cent, with a 70 per cent advance achieved in the US. Among other antibiotic products, Amoxil sales held steady, Bactroban showed encouraging growth and injectable Timentin increased US sales by 58 per cent.

Beecham's drugs cabinet remains heavily dependent on antibiotics, although more than half of research spending is now directed at other products. R&D spending on pharmaceuticals rose by 25 per cent in the first half, with the group total ahead by 21 per cent to £54 6m.

The better advance at the pre-tax rather than the operating level reflected a sharp fall in net interest payments to £2.5m (£21.5m), mostly through the proceeds of disposals. By the end of the half, Beecham had moved slightly into a net cash position.

Exchange-rate changes, primarily the decline of the dollar, depressed reported sales by £41m and pre-tax profits by £8m. Profits would been another £6m lower if Beecham had not changed its translation method in 1986-87 to yearly average from year-end.

See Lex

St Ives' £50m rights receives few takers

The £50m rights issue from St Ives, launched to pay for the acquisition of Burrupa, security printing group, has become another victim of the stock market crash.

Only 2,812 of the 5.9m shares on offer were taken up, an acceptance rate of less than 0.05 per cent and the shares will now pass to the underwriters and sub-underwriters. Rights shares were on offer at 850p; but the market price for existing, which was 1125p just days before the crash, has since slumped.

Mr Robert Gavron, St Ives' chairman, said yesterday that "we have now had a chance to look at Burrups in more detail and in spite of the current reduction in demand for City printing we are very excited

BAe and GKN pensions break

BY ERIC SHORT, PENSIONS CORRESPONDENT

TWO MAJOR companies, British Aerospace and GKN, yesterday announced contribution holidays from their pension scheme, despite the recent falls in world stockmarkets.

In each case, recent actuarial valuations have disclosed substantial surpluses in the pension scheme.

British Aerospace pension scheme has a surplus of almost £300m and plans to take a two-year break in contribution payments - last year, the company paid £55m.

Union leaders have complained of inadequate consultation with the appropriate pension committees, claiming that the surplus could be used to provide and improve a range of benefits.

British Aerospace states that the money saved will be used to support its massive investment programme - investment that will benefit all employees.

However, a spokesman for the company said yesterday that the pension committee had been asked to prepare a list of priorities for benefit improvements which the company would consider implementing within overall cost constraints.

However, employees will still continue paying 6 per cent contributions.

In contrast, GKN has not allowed a massive accumulation of the surplus in the scheme before taking action. In recent years the company has progressively reduced its contribution rate to the scheme.

But even so, the 1987 valuation has shown a very favourable result for the main schemes - both staff and work.

So from April this year, the company has ceased to pay contributions to these schemes, saving about £3.7m this year and £5m in a full year. On current projections it should be able to operate this nil rate into the 1990s.

In addition, employees are being given a contribution holiday, but this will be re-examined on an annual basis. But members are not expected to resume contributions before the next full actuarial valuations scheduled for 1990.

The company has also increased the guaranteed basis for pension increase from 2½ to 5 per cent a year or the increase in the Retail Price Index if less. *Supplementary pension* increases have beem made to the older pensioners.

These changes are being made after satisfactory discussions with the trade unions.

This is in contrast with the situation in many other companies where the use of pension fund surpluses for company and shareholder benefit has led to industrial unrest and even disputes and token strikes.

The recent stockmarket collapse has not yet affected the surplus being disclosed by pension scheme actuaries.

It is standard practice in the valuation methods to value the assets by discounting the investment income received, allowing for future increases in this, rather than using share price and market values.

The rate of interest used in discounting is related to normal market conditions. But under the rates currently used, market values. Hence actuaries are still going to show surpluses in pension schemes unless they change, the discount interest rates used.

King & Shaxson lifts profits

All subsidiaries in the **King & Shaxson Holdings** banking group operated profitably in the half year ended October 31 1987, and profits showed an increase over the comparative 1986 period.

In particular, the directors said, the new Stock Exchange money broker made an increasingly significant contribution. The group includes Smith St. Aubyn.

The interim dividend is again 2.5p. The 1986-87 total was 8.75p paid from reported taxed profits of £1.75m.

Just Rubber rises 20% at half year

Just Rubber, manufacturer of synthetic rubber converted rollers, raised its profits by 20 per cent, from £294,231 to £353,148 pre-tax, in the six months to end-July.

The improvement was achieved on the back of a 63 per cent rise in turnover to £1.71m. Investment and other income totalled £4,967 (£54,268) and interest charges and tax accounted for £6,520 (£1,676) and £128,788 (£105,433) respectively.

Earnings per 10p share emerged at 2.99p (2.51p) and the interim dividend is being lifted to 0.7p (0.64p).

The company made its debut on the USM in 1985.

F H TOMKINS, industrial holding group, has lifted its stake in **Ransomes, Sims & Jefferies**, lawnmower and machinery maker, to 6.93 per cent.

Plessey downgrades year's profit

A HEAVIER fall in second quarter results and the clouded business outlook have led to the **Plessey** group re-assessing prospects for the current year.

The forecast is for the year ending March 31 1988 to produce pre-tax profits slightly less than the £184m of the previous year. This opposes the earler intimation of an improvement.

With the bulk of its business - telecommunications - showing a severe setback, first half to October 2 profits fell by 22 per cent from £87.4m to £68.2m, with the second quarter in decline 25 per cent to £33m compared with 1986. The City was expecting in the region of £40m.

Sir John Clark, chairman and chief executive, explained that a number of factors gave rise to the change of view, including continued delays in orders from the MoD. Consideration had also been given to the decline in the US dollar rates and softness in the PABX market, as well as the recessionary trends in stock markets.

He said weighting of profit-taking on major contracts, as well as system X digital telephone exchange order patterns, would cause a very heavy bias on second half profits in favour of the last quarter. That meant the third quarter would show a continuation of the pattern of lower profit.

The City yesterday came up with an estimate for that period of £70m-£71m, compared with £87.4m at the same stage last year.

In the half year ended October 2 1987 sales fell from £687m to £603.4m, producing an operating surplus reduced from £79.8m to £56.4m. Related companies contributed £1.7m (loss £600,000) and net investment income improved to £10.1m (£8.2m).

Breaking up the operating profit showed telecommunications produced £20.4m (£38.1m), electronic systems and equipment £17.1m (£21.6m), aerospace and engineering £8.3m (£8.6m), microelectronics and computers £2.8m (£3.2m), group


Sir John Clark: "continued delays in orders"

services £6.3m (£5.2m) and discontinued operations £1.5m (£3.1m).

At October 2 the group order book stood at £1.44bn, compared with £1.36bn six months earlier. Telecommunications accounted for £457.1m (£411.6m), electronic systems £863.1m (£815.3m), aerospace and engineering £90.4m (£83.4m), microelectronics £66.8m (£60.2m).

Despite the short term problems the group was still confident in its ability to achieve growth over the longer term.

It had considerable opportunities through joint ventures in telecommunications, the acquisition programme, of which Sippican was a first step, and internal growth propects supported by continuing high investment in R&D.

After tax and minorities, earnings for the first half came through at 5.9p (7.49p) per share; including extraordinary credit £1m (debit £3.5m) they were 6.03p (7.01p). The interim dividend is maintained at 2.383p, with the option of a combination of cash and shares except for US and Canadian holders.

See Lex

Acquisition and profits boost from de Morgan

By Paul Cheeseright, Property Correspondent

YESTERDAY, de Morgan, the consultant surveyor which came to the USM last June, agreed to acquire Woolgate Property Finance, a private company, in a deal worth nearly £2m.

It has also sold a 12.5 per cent stake in the enlarged group to Caledonia Investments for £1.85m.

At the same time the group announced a more than tenfold increase in interim profits and a maiden interim dividend of 0.65p. For the six months to October 6, pretax profits were £517,000 compared with £50,000 for the seven months to November 6 1986.

Woolgate specialises in arranging property development finance. It was established by former members of the real estate division of the Chase Manhattan Bank.

In the year to June, Woolgate made pretax profits of £117,000 on a turnover of £531,000.

The terms of the Woolgate takeover are to be split into two parts. Woolgate will receive 1.8m new de Morgan ordinary shares, which at the price of 63p prevailing just before the announcement, are worth £1.13m. Woolgate will also receive de Morgan loan stock, which could be converted into 1.2m ordinary shares, worth £756,000.

Caledonia is buying its holding of 1.85m de Morgan Group shares at 100p a share, a hefty premium over the current market price.

Mr Adrian de Morgan, chief executive and founder of de Morgan, said yesterday that the arrangement that Caledonia should take a core holding was made before the stock market crash. He would not have been prepared to sell such a holding at current prices.

The shares Caledonia is to buy come primarily from Mr de Morgan and Mr Philip de Morgan. The two directors retain 40.5 per cent and 14 per cent respectively of de Morgan's present issued share capital.

Chloride on course as interim profits rise 17%

Chloride Group, manufacturer of batteries and related systems, continued to make progress in the six months to September 30 with pre-tax profits showing a gain of 17 per cent from £5.3m to £6.2m.

Earnings have doubled from 0.5p to 1p per 25p share and following the resumption of a dividend payment in September, shareholders are to receive an interim of 0.5p.

Sir Michael Edwardes, chairman, says that the group has continued to make steady progress and on a directly comparable basis, profit before tax increased by 29 per cent when the figures for the previous year are adjusted to take account of the effect oif the changed status of Chloride Egypt (now a subsidiary instead of an associate) and the divestment of Chloride Pakistan.

In the UK, the automotive battery company has made good progress and is on course to exceed the targets set for the full year. Progress has also been made at Lorival and, while some problems are still being resolved, the board is looking at the strategic development of this business around the world.

Commenting on the Powerline acquisition, which went unconditional last month, Sir Michael said Powerline compliments Chloride's existing US based manufacturing and marketing expertise in the "custom" power supplies business and provides the basis for the development of a much broader based business than either company could have established in isolation.

Good progress has been made to date in obtaining approvals for the proposals for the reorganisation of the Indian and South East Asian businesses from the various regulatory authorities. But in the light of current uncertainties in capital markets around the world, the timing and scope of the reorganisation plans are being reviewed with the company's advisers.

Sir Michael says that historically Chloride's financial performance has been heavily weighted towards the second half of the year– following the £5.3m earned in the first six months of last year, the outurn for the full year was £17m. This imbalance will continue through this year and next, after which the implementation of new product strategies should result in a more even generation of profits.

Turnover in the period rose to £135.7m, a 7 per cent increase over the compable six months of last year and, on continuing operations, turnover was 9 per cent higher than last year.

The operating profit emerged at £8.3m (£7.1m) added to which was the share of associated companies' profits of £0.3m (£0.5m). Interest took £2.4m (£2.3m), taxation £2.9m (£3m) and minorities £1.2m (£1.3m) leaving attributable profits of £2.1m (£1m).

●comment

The City was not much pleased with yesterday's figures. Given that progress has been made on the UK automotiveside and that the plastics business Lorival has shown improvement, analysts were expecting between £8m to £10m pre-tax. The lagging effect of the lead price increase early on in the period did not help, and the defence business - batteries for submarines and torpedos - was flattish. The delayed flotation of Chloride Eastern on the Singapore Stock Exchange, halted by the stock market crash, will not help the second half. The flotation would have realised about £19m and without this, gearing will remain constant at 26 per cent and there will be no reduction in interest payable. Chloride calls itself a global electrical energy company but 80 per cent of its profits still come from battery sales; and there is still ample scope for improving these existing businesses. Shares fell 4p to close at 50p last night. Assuming pre-tax profits for the full year of about £22, that puts them on a prospective p/e of 10.

Deficit of £13.4m. at Rodime

By Philip Coggan

Rodime, the hard disk drive manufacturer, returned to profits in the fourth quarter of the year but that failed to prevent the company from recording a pre-tax loss of £13.4m in the 12 months to September 30.

The bulk of the year's losses were recorded in the third quarter when the company absorbed rationalisation costs and made provisions against bad debts.

Fourth quarter pre-tax profits were £222,000 (£2.49m loss) on turnover of £15.14m (£14.85m). For the year as a whole, turnover rose to £71.77m from £66.3m and the pre-tax loss of £13.4m compared with a loss of £1.64m. in the previous year.

There was a loss per share for the year of 147.9p (10.3p) and there is no dividend.

Oliver Resources

Oliver Resources, Irish exploration company traded under the Stock Exchange's Rule 535 (3), has arranged a placing of 3.6m shares at 20p. The net proceeds of £720,000 will be used to finance working capital.

Witan shows first half expansion

In the half year ended October 31 1987, **Witan Investment** expanded earnings attributable to ordinary holders from £4.2m to £6.1m, and is raising the interim dividend from 0.85p to 1.05p per share.

Investment income came to £8.86m (£7.66m) from dividends and £1.35m (£280,000) from interest, short term interest to £825,000 (£262,000), while interest charges were £2.28m (£1.98m).

Net asset values at November 16 were 136.9p for the ordinary shares and 60.4p for warrants, taking prior charges at par and assuming full subscription from outstanding warrants.

ECC takes a £42m stake in US aggregates market

BY CLAY HARRIS

English China Clays is to buy its first US producer of construction aggregates, paying $73m (£41.7m) in cash for Minnesota-based J.L. Shiely.

The Cornish-based clays, construction and quarrying group - the fifth largest producer of aggregates in the UK - said yesterday it was confident that any slowdown in US economic activity would not significantly affect short-term results or jeopardise the long-term potential of the investment.

The price of the sale - handled through a sealed-bid auction by Shearson Lehman - had been reduced in the wake of last month's stock market crash. However, ECC shares fell after the deal was announced, losing 16p to 339p.

Sir Alan Dalton, chairman, said that the move into US aggregates and building products had been planned and researched for two years. Shiely would be the flagship of ECC's new US quarrying division.

More than two-thirds of Shiely's profits arises in its home Minneapolis-St Paul market, with the remainder coming from Denver and Colorado Springs in Colorado. It supplies sand, gravel and crushed rock and also manufactures building blocks.

It gains a competitive advantage in Minnesota because two of its quarries are located next to the Mississippi River on which aggregrates are carried on barges to Shiely's city centre depots.

In the nine months to September 30, Shiely achieved operating profits of $4m on sales of $31.5m. ECC warned that its own first-half profits of each year would be depressed by Shiely's seasonal losses in its winter quarter.

Shiely's balance sheet at September 30 showed net assets of $23.5m, but ECC expected a revaluation of mineral reserves and other properties to throw up a surplus of $30m to $40m. ECC expects to sell excess property for considerably more than its book value of $1.7m.

ECC's activities in North America have been limited so far to the supply of kaolin and other industrial minerals.

The purchase price is almost equal to the £39.6m proceeds of ECC's recent US share issue. The deal will be funded, however, through $55m in dollar lines of credit, with the balance from internal sources.

Sir Alan yesterday declined to discuss ECC's intentions concerning its 29.9 per cent stake in Bryant Group, the Midlands housebuilder and construction company which it narrowly failed to win in a takeover battle early this year. ECC would be free to bid again in January.

Bromsgrove jumps to £0.75m

Bromsgrove Industries reports substantial profit growth for the half year ended September 30 1987, and also announces a £1m acquisition for shares, with a clawback arrangement.

Bromsgrove is engaged in metal processing and specialist engineering. The company being bought is **James Cooke (Birmingham)**, which makes metal and plastic trim for the consumer durable and automotive industries.

In the half Bromsgrove lifted its turnover from £5m to £9.5m and pre-tax profit from £139,000 to £746,000. Last year was struck after loss on discontinued activity of £126,000.

Earnings were up to 4.5p (1.65p). The interim dividend is raised to 0.65p (0.5p) and the 1,039,580 shares to be issued against the acquisition will rank for the payment.

If the second half accorded with expectations, there should be a similar increase in the final dividend (last year 1.15p).

Of the shares issued, 841,663 will be conditionally placed at 96p each and then be offered to Bromsgrove holders at the same price on a 1-for-13 basis.

Metal processing improved trading profits by 32 per cent while the engineering companies made a first time contribution of 36 per cent to trading profits.

Excepting the uncertainty of the financial markets, the future looked good. Current trading was at a high level and order books were building up.

Cooke was enjoying a good level of activity and anticipated an acceptable improvement in 1987. In the previous year it made a profit of £144,000.

Locker profits show sharp upturn to £1m

A sharp recovery in pre-tax profits was achieved by **Thomas Locker (Holdings)**, screening and filtration engineer and wire weaver, in the six months to September 30 with pre-tax profits up from a depressed £568,000 to £1.04m.

Earnings almost doubled to 1.47p (0.75p) but the interim dividend is maintained at 0.375p per ordinary and "A" ordinary.

The directors said better results in the UK were a major influence to the improvement with Associated Perforators and Weavers returning to profitability.

Turnover in the first six months rose from £14.42m to £15.96m. There was a share of associated company profits this time of £117,000, tax took £407,000 (£269,000) and minorities £44,000 (£9,000).

The Molson Companies Limited

(Incorporated with limited liability under the laws of Canada)

U.S. $20,000,000 Floating Rate Notes
Issue date 21st May 1987
Maturity date 21st May 1992

For the three month interest period from 23rd November 1987 to 23rd February 1988 the rate of interest on the notes will be 7 ⅜% per annum. The interest payable on the relevant interest payment date will be U.S. $9423.61 per U.S. $500,000 note.

Morgan Grenfell & Co. Limited
Reference Agent

Trevian comes to USM with near £6.5m value

BY PHILIP COGGAN

Trevian Holdings, a property developer and consultant, is joining the Unlisted Securities Market via a placing which values it at just under £6.5m.

Trevian was founded in 1968 but its modern incarnation dates from 1979 when it was acquired by Mr David Dutton, who established the Pizzaland restaurant chain, and Mr Lewis Davis and Mr David Coffer, who acted for him as sole agents for the acquisitions of all restaurant properties.

In the past the group has held properties for investment purposes but now concentrates on development. Profits in the three trading years leading up to April 5, 1986 were held back by problems on a development at Swiss Cottage.

But last year pre-tax profits jumped from £69,000 to £520,000.

Industrial Finance and Investment Corporation is placing 1m shares, 10.8 per cent of the equity, at 70p each. Based on the profits forecast, the prospective p/e is 7.5.

Polytechnic in the red

Polytechnic Electronics, USM-quoted manufacturer of navigation equipment, went into the red in the second half of 1986-87 and ended the year with a pre-tax loss of £847,000 compared with a profit of £103,000 for the previous year.

The directors said the principal reason for the losses was a six months' delay in establishing an efficient volume manufacturing capability for the new series 2000 products. The range is now in full production and being sold in over 40 countries.

The first five months indication of turnover in the current year is £2.6m and the directors said it would appear that the company was well on the way to exceed 1987's turnover in the first half of this year.

After a tax credit of £294,000 (£26,000 debit) and a minority interest credit of £25,000 (£15,000 debit) the loss per share was 5.9p (0.7p earnings).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Downiebrae, Kennedy Smale, Personal Assets Trusts.

Finals- Chrysalis, Govett Atlantic Investment Trust, McLeod Russel, Property Partnerships.

FUTURE DATES

Interims-

Alexon Group	Nov 30
Bowmaker	Nov 27
Buffelsfontein Gold	Dec 1
Caradon	Nov 30
Grootvlei Proprietary	Dec 1
Hughes Food	Nov 26
Invy International	Nov 26
Marievale Cons Mines	Dec 1
Merrydown Wine	Nov 27
Rollo & Nolan Computer	Dec 4
St Helena Gold	Dec 1
Sekers International	Nov 25
Stilfontein Gold	Dec 1
West Rand Consolidated	Dec 1

Finals-

Bestrix Mines	Dec 1
Hanson Trust	Dec 3
Humberside Electronic	Nov 24

Wyndham sharply higher at halfway

Wyndham Group, Cardiff-based engineering, property investment, financial services and automobile franchise operator, revealed sharply higher turnover and profits in the half-year to end-September.

Turnover almost quadrupled from £1.23m to £4.65m, and resulted in taxable profits of £225,000 against £51,000 for the comparable period. There was again no tax charge and earnings per 15p share advanced to 9.03p (2.33p). The interim dividend is 25 per cent higher at 1p (0.8p).

Mr B. Brownhill, chairman, stated that the group's underlying asset base would provide a solid foundation for future growth in both turnover and profitability.

Wyndham's BMW franchise, which became fully operational in February, had proved particularly successful and had exceeded planned budgets by a substantial margin. Wyndham had also been awarded a Honda franchise which would be operational from the start of the New Year.

The financial services division had seen rapid growth during the period under review with outstanding credits having tripled to exceed £1m.

The engineering division, traditionally more profitable in the second half, nevertheless reported a record order book and much improved turnover and profits.

Property investment had continued, the chairman said, and rental income had risen to around £800,000 per annum and should rise to the £1m level by the year end.

Premier Consd profits surge to £7.8m midway

Premier Consolidated Oilfields pre-tax profits surged from £1.44m to £7.73m in the six months to September 30 1987, continuing the year-end trend when profits rose 95 per cent to £8.6m.

Last year's interim profit was only half that of the corresponding period due to the drop in oil prices.

This year, said Mr Roland Shaw, chairman, oil prices averaged £11.40 per barrel against £8 in 1986 and £18.50 in 1985.

Turnover almost doubled from £7.15m to £14.23m and earnings per 5p share rose from 0.13p to 1.72p after tax of £1.68m (£1m).

Mr Shaw said the company was producing the same amount of oil as before the stock market collapse and subject to oil price and exchange rate movements, substantial profits would continue. Overall prospects were bright.

The half year results benefited from a full six months of production from the Thistle and Deveron fields against only three months in the corresponding period.

Average oil production during the period was 6,620 barrels per day compared with 4,550 the previous year. The company regarded these results as very encouraging.

During the half-year Premier was involved in one exploratory well off Britain and was drilling another on a 100 per cent Premier-owned block. The company expects to operate the drilling of at least three exploratory or appraisal wells in 1988 and to participate in a further six wells.

Onshore in the UK, the interim production system at Wytch farm is expected to come on stream in January raising gross production to 10,000 barrels per day, Premier's share being 12.5 per cent.

Overseas, Italian gas production is steady and the company expects to participate in an exploration well off Sicily. The company was involved in several oil discoveries in the US.

The board believes that with its financial record, a net debt-free balance sheet and money in the bank, Premier is in a position to go out and find substantial new oil and gas reserves.

● comment

Premier's figures were ahead of expectations but the slackening oil price helped push the shares down 1p on the day, to end at 44p. These figures show how the company is reaping the benefits of the assets acquired from Burmah, in return for a 25 per cent stake, which, in retrospect, were bought at the bottom of the market. But the share price is determined, not by short-term trends in revenues, but by the exploration prospects; it has one of the larger interests, among the independents, in Wytch Farm and its holdings in the Far East get some investors excited. However, in the short term, there are not too many people predicting a rise in the oil price; so any surge in Premier's shares will have to wait for when news of the Far East drilling comes through next year.

Biomechanics injection

BY FIONA THOMPSON

Biomechanics International, the loss-making effluent treatment contractor which joined the USM as a start-up company in 1983, is to raise £1.28m via heavily discounted rights issue and a subscription issue.

The rights issue is on a 1-for-1 basis with 8.35m shares being issued at 5p each to raise £417,501. The issue will be extended to loan stock holders and the board proposes to issue 3.21m shares at 5p each on the basis of 5 for every £1 of loan stock held. This will raise an additional £160,577.

A further £704,421 is to be raised by a subscription issue whereby Mr Bernard Wheeler, the chairman, and a group of nominated persons - the "new investors" - will together subscribe for 14.09m shares at 5p per share.

The company said yesterday it was essential that new capital was injected to ensure that the company would be able to continue to trade. The rights issue and subscription issue wpould provide funds to meet the company's present working capital requirements and to finance the future expansion of the business.

Biomechanics has never made a profit. For 1986 it made a £229,957 loss and followed this with a further £445,000 loss for the six months to June 30, 1987.

The company also announced that Mr S Smith would take over as full time executive chairman by next September or earlier. Mr Bernard Wheeler, who took over as chairman this June, will become deputy chairman.

Thousands miss TSB payment

The **Trustee Savings Bank** has taken back 3.7m shares from several thousand shareholders who failed to pay the second 50p instalment on last year's flotation issue. Under the terms of the flotation, the shares automatically revert to the TSB if not fully paid.

The TSB is also looking into commitments on a further 10m shares, but does not expect all of these to revert. The TSB has no immediate intention of selling the shares.

Shareholders were supposed to pay the second 50p in September

Bowater sheds part of Rexham

Bowater Industries, the packaging and building materials group, is to sell the aerospace and defence operations of Rexham, the US industrial conglomerate which it recently bought for $226m (£127m).

Mr Norman Ireland, Bowater chairman, said the aerospace division, which accounts for less than 20 per cent of Rexham's sales and profits, did not fit in with his company's business. Another factor was the strict controls placed by the Pentagon on non-US owners of defence contractors.

Mr Ireland made clear that Bowater was prepared to delay a disposal to receive the correct price. It would prepare a structure to allow the division to be managed discretely in line with US regulations.

The division contributed $5.3m of Rexham's $28.6m operating profits in 1986 on sales of $38.7m ($243.2m). A manufacturer of ultra-precision electro-mechanical components used in avionics systems, it has plants in Florida, Alabama, Virginia and Michigan.

Rexham's main business is production of cartons, films, labels and flexible packaging. It was considering such a disposal itself before Bowater emerged with its takeover offer in October. Bowater is likely to get the benefit of the preparation made by First Boston, Rexham's financial adviser.

Galliford on course

Turnover and profits of Galliford were in line with expectations, the chairman told the annual meeting.

Exports cut into food supplies for US poor

BY NANCY DUNNE IN WASHINGTON

POOR AMERICANS are facing a 50 per cent cut in free food supplies partly because of the success of US programmes to sell food commodities abroad, it was learned yesterday

The programmes centre on the use of government-held surpluses to supplement the export of food commodities from private stocks - the so-called Expoort Enhancement Programme - and a Government scheme to buy up surplus cattle from American farmers for slaughter or export.

The Department said that policies designed two years ago to reduce its expensively-held stocks have been so effective that donations to the domestic help-for-the-poor programme of surplus cheese, milk and rice must be drastically cut.

Department officials yesterday explained that since 1983 surplus food has been given to the poor through city and state help programmes. A Department official acknowledged that "there had been some concern among local officials " about the impact of the shortages, but he praised the success of the scheme "which has been a terrific success in reducing success." He declined to be identified.

The Department appeared unconcerned at the real impact the strategic food shortages could have on a large segment of the domestic populace, particularly in the run-up to an election year.

Department officials said that in thepast year Government held stocks of non-fat dried milk had fallen to 208m pounds from 772m pounds. The chese surplus fell to 19m pounds from 620m pounds. Maize and butter surpluses are melting away and excess honey and rice stocks had virtually disappeared.

The fall in dairy stocks was due mostly to a scheme in which the Government paid 14,000 dairy farmers to send 1.55m cattle to market for slaughter or for export. Exports have been subsidised under the controversial Export Enhancement Programme, and the subsidies are paid for with still more stocks from Government storehouses.

Some recent subsidised offers under the programme, designed to counter export subsidies offered by the EC, include.

- 2.4m tonnes of wheat to the Soviet union. Last year the Department provided subsidies of 4m tonnes of wheat to the Soviets.;
- 1m tonnes of wheat and 3,000 head of dairy cattle to China;
- 10,000 head of dairy cattle to Turkey;
- 150,000 tonnes of wheat and 150,000 tonnes of barley to Bulgaria;
- 10,000 tonnes of frozen poultry to Iraq, which has already purchased 60,000 tonnes, and a total of 1m tonnes of US wheat.

The Department recently announced that the US had regained its position as a major wheat supplier to Poland due mainly to the Export Enhancement Preogramme. Shipments in 1987-88 are expected to reach about 500,000 tonnes.

The department last year began paying farmers for their participation in Government price support schemes in a new type of currency/commodity certificate, which entitles the holder to commodies from Government stocks. So far $9.2bn in commodity certificates have been redeemed of the more than $12bn paid out.

Line faults paralyse futures markets

By Frank Gray

BALTIC EXCHANGE futures markets should resume normal trading again today but it will not be a moment too soon for Mr W.J. Englebright, an exchange director, who has been trying all week to prod British Telecom into repairing line faults that have all but closed the exchange's potato, soyabean meal, meat and grain futures markets.

After failure to get the fault repaired last Friday and following urgent telephone appeals to British Telecom, Mr. Englebright yesterday fired off pointed telexes to the "chief executive" of British Telecom appealing for top level action to rectify a "desperate" situation.

The closure reduced potato trading volume by 75 per cent, he explained in a second telex sent yesterday, and brokers were threatening writs. It will never be known how much money has been lost because of the problem.

British Telecom officials last night initially said there was no such person as a chief executive, then later explained that technical staff had only begun working on the fault on Wednesday. BT then regretted that "no proper response" had been directed to Mr Englebright, the exchange's Agricultural Futures Markets Director.

The fault was expected to be put right today, the BT official said.

- Readers are warned that, because of the transmission problems associated with the line faults, the figures in the soyabean meal futures table printed below are not as at the market's close.

Gold lures foreign money to Sudan

BY MICHAEL HOLMAN, RECENTLY IN GEBEIT

IN A natural amphitheatre formed by the rugged Red Sea hills of northern Sudan, the crowd had gathered for the highlight of the official opening of the Gebeit mine, first worked when the Pharaohs ruled ancient Egypt.

From the open air smelter a stream of molten gold was poured into a mould, producing an appropriately shaped 5kg pyramid. The event not only marked the revival of the country's gold industry. It was also an important step in a joint venture between Greenwich Resources, a UK-based mining company, and the Government, which, say Sudanese Ministers, could well serve as a model for foreign investment in one of Africa's most troubled states.

Good news is rare in the Sudan, crippled by an external debt of around $12bn which it is incapable of servicing, and wracked by a civil war in the south which has effectively cut the country in two.

The Gebeit mine offers some encouragement on two fronts. The first benefit will be the boost, albeit modest, to Sudan's foreign exchange earnings. Anticipated earnings from the mine in coming years are put at some $15m annually (the country's total exports were worth some $500m last year), though that may prove a conservative estimate.

It is based on production of 62,000 ounces of gold from a throughput of 80,000 tonnes of ore. Company officials are confident, however, that throughput can be doubled "within the next couple of years," and believe that there are sufficientreserves to ensure a life-span for the mine of at least 15 years.

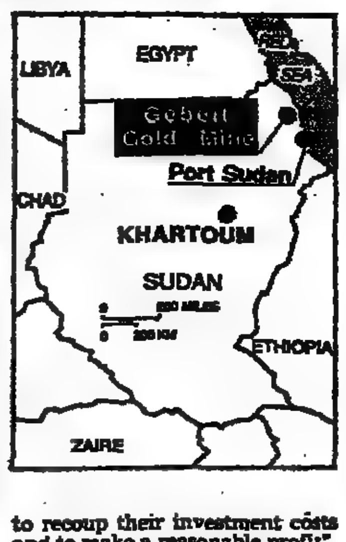
The second benefit of Gebeit may, at this stage at least, be less tangible. But the Government hopes that the story of its revival may encourage other foreign companies to exploit the mineral potential of northern Sudan.

Mr Stanley Eskell, a tough, wisecracking 69-year-old Australian, is chairman of Greenwich Resources, a company which believes that there is money to be made in parts of the world with high geological potential but where major mining houses consider the scale too small, or the political risks too high.

For Mr Eskell, the ceremony at Gebeit marked the culmination of efforts which began when he first visited Sudan in December 1981, and which look like paying off handsomely: the $8m investment should be recovered within the next two to three years, with substantial profits expected to come over the life of the mine.

The Gebeit experience, he argues, illustrates how investors can work in the Third World: "It needs companies coming in who are prepared to say: 'If you have no money we'll provide it; we will not demand repayment until there is a profit, and if there is no profit, there will be no repayment. And if you are short of skilled manpower, we'll provide it and train your nationals at the same time.'"

It's a philosophy endorsed by the Sudanese Government. "The joint venture at Gebeit sets an example," says the country's minister of mines: "We offer guarantees that allow investors



to recoup their investment costs and to make a reasonable profit".

In the case of Gebeit a joint venture agreement was signed in December 1982 between Greenwich's wholly-owned subsidiary, Minex Minerals (Sudan), and the Government, giving the latter a 51 per cent stake and leaving the balance in Greenwich's hands.

Although the cost of putting Gebeit back into production was to be shared equally by the two parties, the Government was not required to raise any capital. Half of Sudan's share of the $8m cost was in the event covered by a loan from the European Investment Bank, and the rest raised by Greenwich.

Under the agreement 40 per cent of net profits will be set aside for repayment of the $8m, while the balance is to be split according to the 51:49 ownership ratio - with the bonus for Greenwich of a five year tax holiday which it negotiated with the Government.

The mine employs about 40 expatriates, who will be joined by six Sudanese currently being trained at the Camborne School of Mines in Cornwall, and about 250 locals. With Port Sudan -the nearest large town - a gruelling several hour journey away, and with basic services in the village of Gebeit non-existent until Greenwich arrived, the company soon discovered that it was expected to take on wide-ranging responsibilities.

It has built a clinic, is putting up a primary school for 60 children, pumps in fresh water and expects that at some stage it will provide accomodation for the unskilled labourerswho at present live in rudimentary huts in the village.

Mr Eskell shrugs off the country's political risks, pointing out that the venture has come unscathed through three administrations: that of President Nimeiri, deposed in 1985, a year-long transitional military council, and the present civilian Government of Prime Minister Sadiq el Mahdi. "The senior technical people in government stayed in office, and Ministers have been co-operative throughout," he says.

"I would be more than happy to encourage other foreign mining companies to come to Sudan. There is money to be made here - but they have got to have the right philosophy."

India to import and export cotton

BY R.C. MURTHY IN BOMBAY

THE INDIAN Government proposes to authorise export of 400,000 bales of long staple cotton (170 kg each), which in surplus, and import an equal quantity of medium staple varieties.

A recommendation to this effect has been made by the Cotton Advisory Board, comprising representatives of growers, traders, textile mills and government. The Board has projected the country's cotton crop for 1987/88 (Septemmber/August) at 9.5m bales, the same as last year's, but forecasts an imbalance in the crop and consumption with a deficit in medium staple varieties and a surplus in long-staple cotton.

The Government has yet to decide on the timing of the exports, which may not be before March 1988, and the form the deal wil take - it could be either a counter-trade or a commercial transaction.

The Board says the carryover at the end of the current cotton year, after taking into account the requirements of textile mills, will be only 1.4m bales, equivalent to two months domestic needs, compared with nearly 2m bales at the end of last year.

Under its long-term export policy, announced last year, India is committed to export 600,000 bales of cotton a year over the three years to 1988-89. Exports last year totalled 1.34m bales, including nearly 1m bales from the earlier year's crop, which was a record 10.5m bales.

If exports are to be pegged at 400,000 bales this year, 0.8m bales will have to be exported in 1988-89 to fulfil the target under the three-year export policy.

Continuing nickel shortage forecast

BY KENNETH GOODING, MINING CORRESPONDENT

NICKEL CONSUMPTION in the non-Socialist world this year is likely to rise by 65,000 tonnes from the 1986 level to 610,000 tonnes, according to Shearson Lehman Brothers in its weekly review of the metal markets.

There has not been a similar surge in nickel supply and the market is likely to be undersupplied by an estimated 35,000 tonnes this year, it suggests.

Assuming that consumption will fall only slighty, to 590,000 tonnes in 1988, a forecast of non-Socialist production of 540,000 tonnes and a "guesstimate" of net imports of 45,000 tonnes from Socialist countries, Shearson sees a 1988 deficit of about 5,000 tonnes.

Consequently nickel prices in 1988 should consolidate this year's gains - the price has risen from a five-year low in January of $1.56 a lb to $2.60 a lb - and spend much of next year at about $2.60 a lb.

Short-term shortages or manipulation might possibly send the price about $3 a lb, Shearson says.

If nickel consumption defies expectations and continues to grow next year, it is difficult to see where metal would come from to meet demand, it adds. An expansion of more than 3 per cent over this year would lift consumption to about 630,000 tonnes in 1988.

Limited excess capacity among non-Socialist producers might not be reactivated quickly enough to stop prices rising sharply from current levels and the possibility of a severe shortage of metal next year does not seem quite as ridiculous as it seemed at the begining of this year, Shearson suggests.

But, Mr Robin Bhar at metal trader Rudolf Wolff points out that the industry is probably working about only 75 to 80 per cent of capacity, having shut down mines because of low prices in 1986.

Producers will be wary of the possibility of a world recession, however, and will want to have a clearer view before bringing capacity back into operation. Consequently Mr Bhar believes that the market will be undersupplied for the first quarter of next year but then supply and demand will become more evenly balanced.

Shearson points out that nickel demand this year has been spurred mainly by exceptional demand from producers of stainless steel which consumes about half of total output. Non-Socialist stainless steel production is set to reach a record 8.8m tonnes, 9 per cent up on the 1986 level.

Indonesia cool on market co-operation

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIAN OFFICIALS reacted cooly this week to Malaysian calls for greater policy co-operation on commodities to counter the problems of oversupply and low prices.

Talks in Jakarta between President Suharto and Mr Daim Zainuddin, Malaysia's Finance Minister, stopped short of the subject of producer cartels but touched on possible co-ordination of marketing and production of palm oil, rubber and cocoa.

Indonesia and Malaysia are already party to a pact limiting tin output as members of the Association of Tin Producing Countries (ATPC) - a direct response to the 1985 market crash when price support activities of International Tin Council collapsed.

"Under difficult times the main target is survival," says Mr Soetaryo Sigit, Indonesia's Director General of Mines, "Even our state enterprises have to put physical limits on retrenchment."

But some officials now feel too much was conceded to Malaysia, where tin production costs are higher and deposits greater than in Indonesia.

Both countries share similar problems - the relative slide of the US dollar, which is the denomination for commodity exports; the threat of substitution by synthetic products; the effects of protectionism in traditional markets; and, most recently, the health scare tactics of powerful lobbies like the US Soyabean Association, which is seeking a ban on palm oil, whichis rich in cholesterol.

For all that, further co-operation is considered neither desirable nor practical when both countries are in direct competition. "Basically we steal their technology and know-how, and then compete with them on the open market," said one Jakarta cocoa trader.

Indonesia could never be described as a free market apostle but is, nonetheless, reluctant to give up natural advantage particularly with prices of oil, its main export, still depressed.

Together with tin, Malaysia is historically the world's leading producer of rubber and palm oil. Output of cocoa is growing rapidly. However, Indonesia also has plans for large-scale replanting and, through the use of World Bank funds, is embarking on a massive expansion of estates, mainly in less-developed islands like Kalimantan and Sulawesi.

Cheap labour, availability of land, and a huge domestic market are also underpinning what is projected as the world's largest ever tree-crop development. Critics of the scheme, which relies on the so-called "nucleus estate", where the Government will sponsor small holders, say it is inherently inefficient and unresponsive to market signals.

For the Government, price stability has long been the primary aim in order to both protect the consumer and domestic income levels for several million farmers.

In practice this often means the prices paid to Indonesian producers are well above those prevailing on world markets.

EC is catalyst in platinum rise

BY KENNETH GOODING

THE EUROPEAN Parliament gave the volatile platinum market a boost yesterday and the January price rose $5.80 an ounce to $511.80 on the New York Commodity Exchange before traders' profit-taking halved the advance.

Speculators moved in following overnight news that agreement had been reached about new European Community standards for car exhaust emissions.

Platinum catalysts provide an easy way to remove carbon monoxide, nitrous oxides and hydrocarbons from car emissions. The use of catalysts in North America, Japan, Australia and Brazil has turned the motor industry into the single biggest platinum consumer.

However, as Mr Geoffrey Robson of Johnson Matthey, the platinum refining and marketing organisation, pointed out, the European emission proposals have been on the agenda for two years and the Parliament was merely endorsing a Ministerial decision of last July.

That decision help push the platinum price from $568 to $633 an ounce in two weeks but the rally was short-lived and recently the price has struggled to achieve $500 again.

UK grain sales fall behind

UK GRAIN exports continue to fall behind last year, with combined wheat and barley shipments for the period from July 1 to November 12 at 1.05m tonnes, compared with 2.47m recorded at the same 1986 stage, the Home Grown Cererals Authority (HGCA) said, reports Reuter.

Quoting provisional Customs and Excise figures, the HGCA put wheat exports for the period at 528,980 tonnes

WORLD COMMODITIES PRICES

INDICES

REUTERS (Base: September 18 1931 = 100)

	Nov 18	Nov 17	mnth ago	yr ago
	1703.3	1691.7	1658.9	1615.6

DOW JONES (Base: September 18 1931 = 100)

Spot	128.36	128.61		118.81
Futures	131.52	131.60		117.88

LONDON MARKETS

INVESTOR LIQUIDATION exerted steady downward pressure on the London Metal Exchange aluminium market yesterday, leading to at £30 fall in the cash standard position which wiped out Wednesday's advance. In the dollar-denominated higher grade position the fall was even sharper. In direct contrast LME nickel regained most of Wednesday's decline with the cash quotation closing £40 up on the day. Traders attributed the rise to chart-inspired covering against short positions, which breached resistance areas in both dollar and sterling terms. But the uptrend was held in check by "influential" lending (selling cash and buying forward), which was reflected in the narrowing of the cash premium over three months metal by £12.50 to £37.50 a tonne. Other LME markets were relatively quiet, as were the "softs" markets.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	464¾-465¼	281¾-282¼
Opening	464½-465	280¾-280¾
Morning fix	465.80	281.274
Afternoon fix	465.15	281.394
Day's high	465¾-466¼	
Day's low	464½-465	

Coins	$ price	£ equivalent
US Eagle	478½-483½	289½-272½
Mapleleaf	478½-483½	269½-272½
Britannia	478½-483½	289½-272½
Krugerrand	464½-467½	281½-283½
1/2 Krug	242-251	136-141
1/4 Krug	120-128	67½-72
Angel		
1/10 Angel		
New Sov.	109½-110½	61½-62½
Old Sov.	109½-111	61½-62½
Noble Plat	515-525	288½-294

Silver fix	p/fine oz	US cts equiv
Spot	373.00	664.50
3 months	381.25	676.80
6 months	389.20	688.85
12 months	406.50	716.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1625				90½

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1690-700	1765-85		1735-50		
3 months	1720-40	1715-35	1700/1690	1700-5	1720-400	2,472 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 19,100 tonne
Cash	968-70	998-1000	977	976-7		
3 months	936-7	957-7.5	946/934	941-2	938-40	60,636 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,875 tonne
Cash	1485-6	1470-5	1500/1466	1485-9		
3 months	1245-6	1228-7	1252/1232	1236-7	1243.5-4	79,849 lots
Copper, Standard (£ per tonne)						Ring turnover 50 tonne
Cash	1360-70	1400-5	1385	1380-90		
3 months	1230-40	1215-20	1235	1230-5		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	656-9	650-9		659-62		
3 months	668-71	668-71		671-4	668-71	652 lots
Lead (£ per tonne)						Ring turnover 8,350 tonne
Cash	369-71	373-4	370	370-1		
3 months	348.5-9	349-50	354.5/348	348.5-9	347-8	13,234 lots
Nickel (£ per tonne)						Ring turnover 1,536 tonne
Cash	3320-30	3295-305		3390-45		
3 months	3285-90	3250-70	3300/3230	3280-5	3280-90	8,154 lots
Zinc (£ per tonne)						Ring turnover 7,250 tonne
Cash	492-3	495-6	494	493-4		
3 months	488.5-9	493-4	490/487	488-9	489-90	15,577 lots

SPOT MARKETS

Crude oil (per barrel FOB December)		+ or -
Dubai	$16.35-16.45	+0.10
Brent Blend	$17.55-17.60	+0.20
Dubai	$18.48-18.52	+0.30
Oil products (NWE prompt delivery per tonne CIF September)		+ or -
Premium Gasoline	179-182	
Gas Oil	158-160	+3
Heavy Fuel Oil	83-84	+2
Naphtha	150-152	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$465.00	+1.00
Silver (per troy oz)♣	660c	+2
Platinum (per troy oz)	$502.75	-1.25
Palladium (per troy oz)	$112.50	+2.50
Aluminium (free market)	$1740	-10
Copper (US Producer)	107-117c	
Lead (US Producer)	42.00c	
Nickel (free market)	276c	+4
Tin (European free market)	£3870	-35
Tin (Kuala Lumpur market)	17.46r	+0.08
Tin (New York)	326.50c	+0.50
Zinc (Euro. Prod. Price)	$820-870	-
Zinc (US Prime Western)	$44.375	+1.00
Cattle (live weight)†	101.05p	+0.19*
Sheep (dead weight)†	184.80p	-5.36*
Pigs (live weight)†	74.70p	-0.71*
London daily sugar (raw)	$196.00w	+3.00
London daily sugar (white)	$197.50w	+4.10
Tate and Lyle export price	£215.50	+3.00
Barley (English feed)	£108.00	
Maize (US No. 3 yellow)	£132.50	-0.05
Wheat (US Dark Northern)	£90.25y	-0.50
Rubber (spot)♥	62.00p	
Rubber (Dec) ♥	63.25p	-0.25
Rubber (Jan) ♥	63.25p	-0.25
Rubber (KL RSS No 1)	259.50m	+1.00
Coconut oil (Philippines)§	$470.00x	
Palm Oil (Malaysian)§	$370.00y	
Copra (Philippines)§	$320.00y	
Soyabeans (US)	$139.00	-2.58
Cotton "A" index	77.30c	-0.20
Wooltops (64s Super)	493p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. s-Jan/Feb. x-Nov/Dec.y-Dec. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	158.00	156.75	158.75 157.75
Jan	157.50	156.25	158.50 157.50
Feb	156.25	155.00	156.25 156.00
Mar	153.50	153.00	154.50 153.50
Apr	151.50	150.00	151.50 151.50

Turnover 7160 (8269) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	113.40	113.60	113.40
Jan	114.40	114.90	115.00 114.30
Mar	116.40	116.85	116.90 116.35
May	118.50	119.00	118.95 118.40
Jly	121.45	122.00	122.25 121.50
Sep	102.15	102.25	102.15 102.90
Nov	104.00	104.25	103.90

Barley	Close	Previous	High/Low
Nov	105.00	105.75	105.00
Jan	107.30	107.95	107.80 107.30
Mar	109.20	109.80	109.65
May	111.30	111.75	
Sep	98.45	98.70	
Nov	100.45	100.70	

Turnover: Wheat 274 (201) . Barley 74 (168) . lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Feb	101.00	102.00	
Mar	91.00	91.00	
Apr	152.90	150.30	153.00 151.50
May	166.30	163.80	166.00 165.00
Nov	75.00	75.00	
Feb	90.00	90.00	

Turnover 253 (244) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

		Previous	High/Low
Dec	141.00	141.00	
Feb	139.00	139.50	
Apr	135.00	138.00	
Jun	127.00	128.00	
Aug	125.00	128.00	
Oct	125.00	127.00	
Dec	128.00	129.00	

Turnover (535) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1200.0	1189.0	1200.0 1185.0
Apr	1246.0	1240.0	1250.0 1240.0
Jly	1111.0	1090.0	1111.0 1090.0
BFI	1159.0	1155.5	

Turnover 193 (202)

COCOA £/tonne

	Close	Previous	High/Low
Dec	1083	1088	1086 1082
Mar	1113	1120	1118 1112
May	1131	1149	1138 1130
Jly	1151	1160	1157 1151
Sep	1170	1180	1176 1170
Dec	1194	1206	1200 1195
Mar	1219	1232	1225 1222

Turnover: 2226 (2505) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 19: 1425.69 (1437.24) .10 day average for November 20: 1432.85 (1432.19) .

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1240	1236	1240 1230
Jan	1272	1269	1274 1258
Mar	1294	1294	1299 1284
May	1318	1322	1324 1310
Jly	1340	1340	1338 1336
Sep	1361	1365	1365 1357
Nov	1395	1390	

Turnover: 1951 (2467) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 18 :Comp. daily 116.06 (115.91) . 15 day average 114.60 (114.35).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	170.00	174.00	
Mar	174.00	176.40	177.80 173.80
May	174.20	176.20	177.00 174.00
Aug	174.80	175.80	177.00 175.00
Oct	176.00	178.00	178.60 178.00
Dec	179.00	180.40	
Mar	183.00	184.00	

White	Close	Previous	High/Low
Mar	206.00	208.70	207.00 205.00
May	210.50	211.50	211.40 209.00
Aug	214.80	215.50	215.00 214.40
Oct	215.00	217.50	216.00 216.00
Mar	223.00	223.00	221.80 221.80
May	227.00	227.00	

Turnover: Raw 3257 (4094) lots of 50 tonnes. White 2605 (3609) .
Paris- White (FFr per tonne):Mar 1185, May 1210, Aug 1250, Oct 1265, Dec 1260, Mar 1275.

US MARKETS

Precious metals closed mixed in quiet trading, reports Drexel Burnham Lambert. Gold finished marginally higher on early trade buying in the face of speculative selling. Silver closed lower on late trade selling following a session dominated by local activity. Copper firmed on trade and commission house buying. Energy futures were week on local and commission house selling which touched off stops but trade support was noted at the lows. Coffee firmed on trade and commission house buying. Cocoa eased in lackdustre trading. Sugar eased on trade selling and local long-liquidation, though fund and trade support was noted at the lows. Liquidation of the nearby December position in advance of first notice day depressed cotton and the trade was also a seller. Cattle futures eased as the market underwent a correction to recent strength. Pork bellies and hogs both eased in response to lower cash values. The soyabean complex was firm reflecting better cash premiums. Wheat eased on profit-taking and maize drifted lower in light volume.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	465.0	463.9	0 0
Dec	465.8	464.8	468.5 465.2
Jan	468.8	467.8	0 0
Feb	471.8	470.8	472.5 471.0
Apr	477.5	476.5	478.6 477.0
Jun	483.2	482.2	483.8 482.3
Aug	489.1	488.1	0 0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	163.75	161.20	165.30 161.60
Mar	162.35	159.40	164.00 159.80
May	162.80	158.75	162.80 159.25
Jly	162.10	158.60	0 0
Sep	161.70	158.50	161.25 158.70
Jan	155.50	154.50	0 0
Mar	155.50	154.50	0 0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1815	1820	1818 1810
Mar	1826	1830	1830 1822
May	1851	1858	1856 1851
Jly	1881	1888	1887 1881
Sep	1910	1915	1918 1915
Dec	1946	1955	1950 1950
Mar	1981	1986	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	129.25	127.87	129.25 127.71
Mar	132.78	131.98	132.90 132.20
May	134.42	133.84	134.60 133.90
Jly	135.76	135.13	136.10 135.15
Sep	137.79	137.13	137.80 137.80
Dec	138.25	137.50	138.60 138.25
Mar	139.20	138.75	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	109.80	105.30	109.50 105.00
Dec	107.80	103.90	108.50 103.40
Jan	103.90	101.00	102.30 99.25
Mar	97.80	96.00	98.35 95.80
May	90.30	89.40	90.50 90.10
Jly	85.80	86.50	87.00 85.50
Sep	85.90	85.90	85.50 85.50
Dec	85.35	85.80	86.30 84.80
Jan	85.30	85.60	0 0
Mar	85.20	85.60	0 0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	502.7	501.5	501.5 501.5
Dec	504.9	503.7	0 0
Jan	507.2	506.0	511.8 503.5
Apr	514.9	513.5	519.0 513.0
Jly	522.9	521.6	526.0 520.0
Oct	530.9	529.5	534.5 530.0
Jan	539.4	538.0	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	656.8	661.4	0 0
Dec	658.0	663.0	667.0 655.5
Jan	661.9	666.9	670.0 670.0
Mar	671.7	676.8	683.0 669.0
May	680.5	685.8	690.0 678.0
Jly	689.4	694.5	696.0 687.0
Sep	698.8	703.9	704.0 701.0
Dec	713.4	718.6	722.0 716.0
Jan	718.1	723.2	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	7.28	7.29	7.25 7.25
Mar	7.77	7.86	7.87 7.68
May	7.76	7.85	7.86 7.72
Jly	7.79	7.87	7.87 7.75
Oct	7.86	7.91	7.95 7.78
Jan	8.00	8.07	0 0
Mar	8.12	8.22	8.21 8.11

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	69.53	69.85	70.15 68.30
Mar	69.90	71.18	71.25 69.60
May	70.59	71.91	71.75 70.55
Jly	70.66	71.93	71.80 70.45
Oct	65.33	66.10	66.00 65.70
Dec	64.20	64.80	64.80 63.90
Mar	65.27	66.10	66.00 65.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	18.50	18.23	18.75 18.44
Jan	18.48	18.24	18.69 18.42
Feb	18.43	18.21	18.65 18.37
Mar	18.40	18.20	18.60 18.37
Apr	18.40	18.14	18.56 18.35
May	18.39	18.11	18.52 18.35
Jun	18.31	18.14	18.43 18.28
Aug	18.32	18.00	18.35 18.30
Sep	18.25	17.98	18.32 18.17

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	54.70	54.48	55.30 54.60
Jan	54.15	54.05	54.80 54.05
Feb	53.55	53.50	54.30 53.40
Mar	51.45	51.50	52.15 51.40
Apr	49.95	49.85	50.25 49.90
May	49.05	48.80	49.10 48.85
Jun	49.05	48.20	49.00 48.55
Jul	48.50	47.90	49.00 48.50
Aug	49.25	49.25	49.60 49.25
Sep	49.95	50.10	50.20 49.95

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.43	17.54	17.58 17.40
Jan	17.63	17.72	17.77 17.61
Mar	17.98	18.09	18.12 17.96
May	18.30	18.42	18.42 18.25
Jly	18.55	18.63	18.65 18.50
Aug	18.65	18.75	18.72 18.61
Sep	18.70	18.80	18.75 18.70
Oct	18.75	18.90	18.90 18.74
Dec	18.97	19.06	19.02 18.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	202.2	197.8	204.0 195.7
Jan	195.2	190.8	196.5 189.5
Mar	187.7	184.3	188.5 183.1
May	181.7	178.3	182.0 177.0
Jly	177.7	175.2	178.5 174.3
Aug	177.0	174.7	177.5 173.5
Sep	176.0	174.5	177.0 173.5
Oct	175.0	173.0	175.0 172.0
Dec	175.0	173.0	176.0 171.5

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	293/0	295/4	296/4 292/4
Mar	302/6	305/6	307/0 302/4
May	298/0	302/6	303/4 298/0
Jly	285/6	290/2	291/4 285/4
Sep	289/4	294/4	295/0 289/4
Dec	298/0	303/0	303/0 298/0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	43.77	44.05	43.95 43.55
Feb	42.75	42.97	43.00 42.55
Apr	39.27	39.27	39.30 38.97
Jun	42.25	42.25	42.25 41.85
Jly	42.62	42.80	42.85 42.50
Aug	41.55	41.70	41.70 41.45
Oct	38.72	38.87	38.80 38.65
Dec	39.15	39.10	39.15 39.00

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	185/6	185/2	186/4 184/0
Mar	191/2	191/2	192/0 189/4
May	195/6	195/6	196/2 194/0
Jly	199/2	199/4	200/0 197/2
Sep	196/6	197/4	198/0 198/0
Dec	194/6	195/4	195/0 192/4
Mar	201/0	202/0	201/4 199/4

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	53.70	54.40	54.70 53.60
Mar	53.55	54.32	54.50 53.50
May	55.22	55.75	55.60 55.05
Jly	55.50	56.20	56.20 55.10

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	578/4	570/6	579/4 567/4
Mar	585/2	577/4	586/6 574/4
May	589/2	581/6	591/0 578/4
Jly	590/2	584/2	592/4 580/0
Aug	587/0	581/0	589/4 579/2
Sep	578/4	576/4	580/4 571/6
Nov	577/2	575/2	580/0 569/0
Jan	583/0	581/0	0 0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	66.17	65.90	66.22 65.62
Feb	62.72	62.75	62.80 62.25
Apr	64.50	64.72	64.65 64.17
Jun	64.42	64.65	64.60 64.22
Aug	62.32	62.42	62.50 62.20
Oct	61.80	61.87	61.95 61.55
Dec	63.40	63.35	63.40 63.00

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar dominated by budget

THE DOLLAR finished around the middle of the day's range, but weaker on the day, as dealers grew increasingly frustrated at the failure of US negotiators to resolve the problem of the US budget deficit.

Conflicting comments from Washington on the progress of the budget talks led to a general mood of despare and impatience. Hopes of an agreement on $30bn of cuts have been erroded during the week, and by last night dealers were becoming resigned to a figure of no more than the $23bn, set by the Gramm Rudman bill, which reaches its deadline today.

The budget talks totally dominated the market's outlook, as the dollar fell to DM1.6800 from DM1.6870; to FFr5.6975 from FFr5.7175; to SFr1.3770 from SFr1.3825; and to Y135.15 from Y135.45.

On Bank of England figures the dollar's index fell to 96.5 from 96.9.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index rose 0.2 to 75.4, compared with 73.8 six months ago.

Sterling was firm, but remained on the sidelines, with the market's attention turned towards the US budget deficit talks.

Figures on October UK money supply and bank lending came as little surprise to dealers, and produced no strong reaction.

Bank lending rose by £2.9bn, which was considered high, but within the level of most forecasts, and an improvement from the revised figure of £4.3bn in September. Some level of distressed borrowing, as a result of the fall in share prices, may have been reflected in the figure, but this could turn out to be an even bigger factor in November.

Sterling M3 money supply rose by a higher than forecast 3.4 p.c., but was distorted by Bank of England intervention to stem the pound's rise on the foreign exchanges.

Under the circumstances the market took the view that there was no reason to be too alarmed by the figures.

The pound rose 1 cent to $1.7800-1.7810 and also improved to DM2.99 from DM2.9875; to FFr10.1450 from FFr10.1225; to SFr2.4525 from SFr2.4475; and to Y240.75 from Y239.75.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 150.6 against 147.4 six months ago.

The D-Mark finished little changed against the dollar, as dealers waited for reaction to President Reagan's speech, and further news of the US budget deficit talks. The dollar closed at DM1.6815 in Frankfurt, after opening at DM1.6745, and compared with DM1.6870 at Wednesday's London finish.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.2 against 225.5 six months ago.

The yen rose against the dollar in Tokyo, with dealers ignoring any factors other than the US budget deficit. There was general concern that the talks in Washington had dragged on so long, amid expectations that the final result would be disappointing for the market. Remarks by Mr Robert Dole, Republican leader in the Senate, about many senators voting against a large cut in the deficit, set the tone.

The dollar fell to Y134.85 in Tokyo from Y136.05 on Wednesday.

NIGERIAN NAIRA-The Naira rose 2.5 p.c. against the dollar at yesterday's fortnightly foreign exchange auction in Lagos. The US currency was set at 4.1925 compared with 4.2998 previously. This was the first appreciation of the Naira for two months.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2252	+1.80	+0.99	±1.5344
Danish Krone	7.85212	7.96023	+1.38	+0.57	±1.6404
German D-Mark	2.05853	2.06357	+0.24	-0.57	±1.0981
French Franc	6.90403	7.00464	+1.46	-0.65	±1.3674
Dutch Guilder	2.31943	2.32270	+0.14	-0.67	±1.5012
Irish Punt	0.768411	0.775982	+0.99	+0.18	±1.6684
Italian Lira	1483.58	1517.95	+2.32	+1.95	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 19	Latest	Previous Close
£ Spot	1.7790-1.8000	1.7740-1.7750
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Nov 19	£	$
[illegible]	[illegible]	[illegible]
Iran	120.80	68.25
Korea(Sth)	1409.50-1422.24	794.70-801.10
Kuwait	0.49470-0.49500	0.27835-0.27845
Luxembourg	62.60-62.70	35.15-35.25
Malaysia	4.4380-4.4430	2.4945-2.4955
Mexico	3558.00-3604.50	2000.00-2025.00
N. Zealand	2.8705-2.8755	1.6145-1.6170
Saudi Ar.	6.6620-6.6670	3.7480-3.7485
Singapore	3.6115-3.6340	2.0300-2.0310
S. Af (Cm)	3.5015-3.5175	1.9725-1.9765
S. Af (Fn)	5.6010-5.7830	3.1495-3.2520
Taiwan	52.70-52.95	29.70-29.80
U.A.E.	6.5725-6.5735	6.5275-6.5336

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Nov 19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.334	0.595	1.	80.52	3.390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.154	7.396	12.42	1000.	42.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.986	1.755	2.947	237.3	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.408	0.726	1.219	98.17	4.137	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.297	0.529	0.888	71.49	3.013	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.454	0.809	1.359	109.4	4.610	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.428	0.763	1.281	103.1	4.346	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.596	2.842	4.773	384.3	16.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts little changed

TRADING WAS rather subdued in the London International Financial Futures Exchange yesterday. There was little incentive to try and establish a definite trend because attention remained focused on the continuation of talks to try and agree a cut in the US trade deficit.

As time dragged by, more and more traders were becoming disillusioned by the failure of Congress and the White House to solve a problem that has effectively captured the financial spotlight of the world.

Hopes of a settlement were raised on Wednesday and again yesterday but it now seems that a postponement of the Gramm-Rudman amendment is the most likely outcome as talks drag on.

US Treasury bonds finished at 88-28 for December delivery after an opening level of 88-21 and Wednesday's close of 88-25. Trading volume was just over 3,000 lots traded. Three-month Euro-dollar deposits opened at 92.41 down from 92.45 and traded in a narrow seven tick range before closing at 92.46.

Long gilt prices finished slightly firmer and were not deterred by UK money supply figures which showed a £2.9bn rise in sterling bank lending in October and a 3.4 p.c. rise in M3. Dealers were quick to point out that with central bank intervention to hold down the value of sterling and recent efforts to ensure adequate money market liquidity creating considerable distortions, it was almost impossible to make much of the figures.

The December gilt price opened at 122-21 and closed at 122-20 compared with 122-16 on Wednesday. Again trading volume remained relatively low with dealers reporting little sign of any retail activity.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	6.32	7.28	0.00	0.62
118	4.33	5.62	0.01	1.32
120	2.40	4.42	0.08	2.12
122	0.63	3.34	0.31	3.04
124	0.12	2.40	1.44	4.10
126	0.02	1.56	3.35	5.26
128	0.01	1.21	5.33	6.55
130	0.00	0.59	7.32	8.29

Estimated volume total, Calls 2041 Puts 1223
Previous day's open int: Calls 47853 Puts 35049

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	6.50	6.43	0.00	0.53
84	4.51	5.13	0.02	1.23
86	2.54	3.48	0.04	2.06
88	1.05	2.47	0.19	2.57
90	0.12	1.57	1.26	4.05
92	0.05	1.17	3.17	5.27
94	0.01	0.52	5.15	6.42
96	0.00	0.32	7.14	8.42

Estimated volume total, Calls 25 Puts 24
Previous day's open int: Calls 3352 Puts 2170

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
[illegible]	0.40	5.12	11.40	16.12
[illegible]	0.22	4.41	13.72	17.91
[illegible]	0.11	3.79	16.11	19.70
[illegible]	0.05	3.23	18.55	22.73
[illegible]	0.02	2.75	21.02	23.75
[illegible]	0.01	2.33	23.51	25.83
[illegible]	0.00	1.97	26.00	27.97
[illegible]	0.00	1.65	28.50	30.15

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 59 Puts 109

LIFFE £/$ OPTIONS

[illegible]

LIFFE $/DM OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	94.11	94.12	94.01	94.04
Mar	93.74	93.76	93.68	93.69
Jun	-	93.40	93.32	93.33
Sep	93.03	93.05	92.96	93.00
Dec	92.76	92.79	92.79	92.74
Mar	92.53	92.54	92.51	92.52

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7263	0.7293	0.7261	0.7249
Mar	0.7322	0.7353	0.7322	0.7308
Jun	0.7405	0.7405	0.7400	0.7372
Sep	-	-	-	0.7442

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5942	0.5977	0.5938	0.5948
Mar	0.5992	0.6025	0.5988	0.5999
Jun	0.6050	0.6073	0.6050	0.6051
Sep	-	-	-	0.6103
Dec	-	-	-	0.6155

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.46	92.47	92.41	92.45
Mar	92.33	92.34	92.25	92.29
Jun	91.98	91.98	91.93	91.95
Sep	91.63	91.65	91.60	91.61
Dec	91.33	91.34	91.32	91.33
Mar	91.09	91.10	91.08	91.09
Jun	90.88	90.90	90.87	90.88
Sep	90.71	90.72	90.71	90.70

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	246.00	246.50	246.30	246.55
Mar	-	247.75	247.75	247.75
Jun	-	-	-	249.30
Sep	-	-	-	250.90

CURRENCY FUTURES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKETS

UK rates steady

INTEREST RATES were virtually unchanged in the London money market yesterday as investors made light work of a $2.9bn increase in UK bank lending and a provisional M3 increase in October of 3.4 p.c.

The more narrowly defined M0 rose by 0.6 p.c. to give a year on year rise of 5.5 p.c. compared with an official target range of 2-6 p.c. Three-month interbank money was quoted at 9-8⅞ p.c., unchanged from Wednesday's close. Overnight money started at 8¾-8⅝ p.c. and touched a high of 10 p.c., where it finished.

UK clearing bank base lending rate 9 per cent from November 5

The Bank of England forecast a shortage of around £600m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £328m and Exchequer transactions a further £205m. In addition banks brought forward balances £70m below target.

The Bank gave assistance in the morning of £149m through outright purchases of £27m of local authority bills and £104m of eligible bank bills in band 1 at 8⅞ p.c. and £18m of eligible bank bills in band 2 at 8⅞ p.c.

A revision in the afternoon took the forecast to a shortage of around £650m, before taking into account the morning help and the Bank gave additional assistance in the afternoon of £245m through outright purchases of £8m of local authority bills and £154m of eligible bank bills in band 1 at 8⅞ p.c. and in band 2 £26m of local authority bills and £57m of eligible bank bills all at 8⅞ p.c. Late help came to £190m, making a total of £584m.

In **Frankfurt** short term liquidity remained in good supply despite an expected drain caused by the start of corporate tax payments. Yesterday's meeting of the Bundesbank central council left key lending rates and credit policies unchanged. Dealers said that the authorities were keeping a careful watch on talks to cut the US budget deficit.

In **Paris** the Bank of France held a securities repurchase tender, adding FFr32.3bn at an unchanged rate of 8¼ p.c. to the domestic money market today. The one-month agreement helped to compensate for funds leaving the market yesterday and today as two seven day agreements mature, draining around FFr28bn.

In **Amsterdam** the Dutch central bank accepted bids of Fl 4.2bn at an unchanged rate of 4.8 p.c. at yesterday's six-day special advances facility. The amount allocated was much in line with market expectations.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, November18, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.17858 SDR1=$US1.1.31517
As of October 28, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7⅞	7⅞
Sibor:	7⅞	8

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60
Albania	Lek	5.737
Algeria	Dinar	4.67
Andorra	French Franc / Spanish Peseta	5.7415 / 114.26
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	3.90
Aruba	Florin	1.79
[illegible]	[illegible]	[illegible]
Greenland	Danish Krone	6.5323
Grenada	E. Caribbean $	2.70
Guadeloupe	Local Franc	5.7415
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00 / 2.59
Guinea	French Franc (F)	340.00 / 300.00
Guinea-Bissau	Peso	650.00
[illegible]	[illegible]	[illegible]
Pakistan	Pakistan Rupee	17.5430
Panama	Balboa	1.00
Papua New Guinea	Kina	0.8933
Paraguay	Guarani	320.00 / 550.00 / 877.50
Peru	Inti (o.a.4)	[illegible]
[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$400	33	67	—	—	—	—	$465.30
GOLD C	$420	252	47	6	54	24	65	"
GOLD C	$440	208	26	—	—	17	50	"
GOLD C	$460	827	7.50	267	25	1	36B	"
GOLD C	$480	154	0.10	48	15.20	—	—	"
GOLD C	$500	—	—	12	9.50B	2	19A	"
GOLD C	$520	—	—	60	6.50B	—	—	"
GOLD P	$440	100	0.10	200	7	13	11	"
GOLD P	$460	72	1	—	—	17	17	"
GOLD P	$480	286	17	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.185	132	0.80A	27	8.50	7	14	Fl.177.34
EOE Index C	Fl.230	—	—	50	1.10	30	2.70	"
EOE Index P	Fl.165	—	—	231	9	9	10.80	"
EOE Index P	Fl.170	—	—	219	12.50	3	12.50B	"
$/Fl C	Fl.185	9	4.70	14	5.30	1	5.50	Fl.189.35
$/Fl C	Fl.190	30	0.60	245	2.50	20	3.50	"
$/Fl C	Fl.195	—	—	47	1.40	10	1.90	"
$/Fl C	Fl.200	5	0.30A	27	0.70	500	1.10	"
$/Fl P	Fl.180	—	—	20	0.90A	34	1.70	"
$/Fl P	Fl.185	59	0.05	307	2.20	64	3	"
$/Fl P	Fl.190	92	1.50A	161	4.40	121	6.20	"
$/Fl P	Fl.200	61	11	11	11.10	—	—	"
$/Fl P	Fl.205	60	16.50A	20	16	—	—	"
$/Fl P	Fl.235	—	—	20	46.70A	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl P	Fl.180	32	2.90	3	4.50	—	—	Fl.189.35
$/Fl P	Fl.185	6	4.80	14	6.80	—	—	"
$/Fl P	Fl.190	62	7	—	—	30	11	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.44	257	1.80	—	—	—	—	Fl.42.10
ABN P	Fl.46	93	4.90	—	—	—	—	"
AEGON C	Fl.65	24	2.50	6	4.30	—	—	Fl.59.20
AHOLD C	Fl.75	81	3.20	11	5	—	—	Fl.63.80
AHOLD P	Fl.65	16	6.90	—	—	—	—	"
AKZO C	Fl.180	320	0.20	2	1	—	—	Fl.92
AKZO P	Fl.90	155	7.50	19	10.60	49	13.50B	"
AMEV C	Fl.70	68	1.80	—	—	—	—	Fl.42.90
AMRO C	Fl.70	68	1.80	39	3.20	59	4	Fl.61.90
AMRO P	Fl.65	—	—	68	6	—	—	"
ELSEVIER C	Fl.55	—	—	53	1.50	—	—	Fl.39
ELSEVIER P	Fl.40	29	4.80	—	—	—	—	"
GIST-BROC. C	Fl.35	35	1.90B	8	3.60	—	—	Fl.30.30
GIST-BROC. P	Fl.45	89	15.10	18	15.50	18	16.30	"
HEINEKEN C	Fl.120	52	18.50A	—	—	—	—	Fl.132.50
HEINEKEN P	Fl.160	175	31	—	—	15	35	"
HOOGOVENS P	Fl.45	187	17	—	—	2	17.50	Fl.28.40
KLM C	Fl.40	124	0.70	9	1.50	2	3	Fl.28.90
KLM P	Fl.30	113	3.70	95	5	3	5.40	"
NEDLLOYD P	Fl.120	40	13	5	18	[illegible]	21	Fl.115
NAT NED C	Fl.60	75	1.90	23	3.20	35	4.20	Fl.52.90
NAT NED P	Fl.45	95	2	—	—	—	—	"
PHILIPS C	Fl.35	450	1.50	74	2.50	66	3.50	Fl.30.70
PHILIPS P	Fl.30	231	2.70	34	4.30	—	—	"
ROYAL DUTCH C	Fl.210	310	9	7	15.50	—	—	Fl.202.70
ROYAL DUTCH P	Fl.180	136	3.30	3	6.60B	—	—	"
ROBECO C	Fl.95	—	—	—	—	38	3	Fl.82
ROBECO P	Fl.80	27	5.50	—	—	20	10	"
UNILEVER C	Fl.108	180	9.20	—	—	—	—	Fl.104.20
UNILEVER P	Fl.90	130	4.40	16	7.60	3	12.50	"

TOTAL VOLUME IN CONTRACTS: 23,561

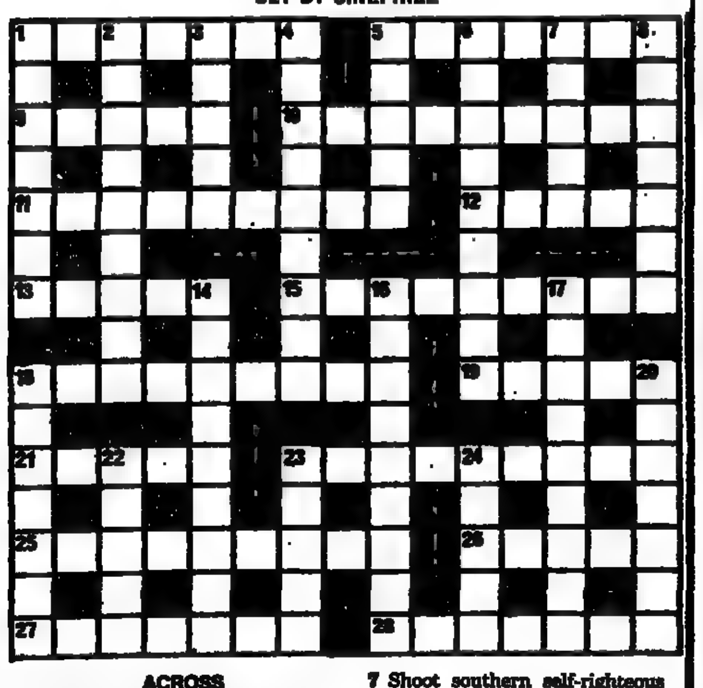
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk.	9	Consolidated Cred.	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	* 9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sureeaver 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

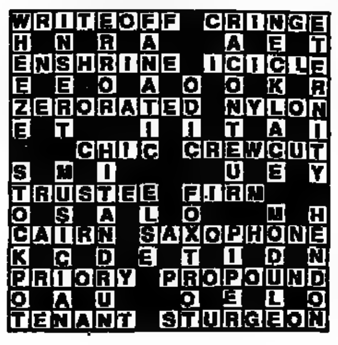
FT CROSSWORD No.6,487
SET BY CINEPHILE



ACROSS
1 Don't play with a tiny injury (7)
5 Carpenter's tool for turning a sod: I'm amazed about it (4,3)
9 It repulsed half-German beast (6)
10 Jupiter perhaps could be written ER over TH (7)
11 Old chronicler with home and woman in grasp (9)
12 Correct on one hand......(5)
13, 15 .....but..... (2,3,5,4)
18 Windbag giving a bumpy ride (3,6)
19 Awful bores, far from merry (5)
21 Nothing to change in reproduction (5)
23 Unable to burn if changed in reproduction (5)
25 Would be funny aspect to bills (9)
26 Student in French writer to make easy progress (5)
27 Veil for beast of burden eating like the Queen (7)
28 See 22 down

DOWN
1 Armstrong was in the House, companion to a doctor (7)
2 Control turns out larger (9)
3 City featuring missing part (5)
4 Obstacle having bird as director (9)
5 Damage turned round? (5)
6 Request weapons with butts on ground? (5,4)
7 Shoot southern self-righteous type (5)
8 Unsuccessful stuff? (7)
14 Point to comfortable ship's front as the world we live in? (9)
16 The rose is remarkable for hybrid vigour (9)
17 Lamia upset about brothers being delicious to eat (9)
18 A convenience to run away in a standoffish manner (7)
20 Roof timbers forming part of reversed alphabet (7)
22, 28 Sclera in US is twisted over cornea among the aged (5,7)
23 Sort of mattress counted when not sleeping? (5)
24 Father started old and irreligious (5)

Solution to Puzzle No.6,486



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	26.3	28.0	-0.1	-
Do. Income	26.2	27.9	-	0.19
Scimitar European Acc	20.4	21.8	-0.2	-
Do. Income	20.4	21.8	-0.1	0.11
Scimitar UK Eq Inc Acc	31.9	33.6	-	-
Do Income	30.5	32.2	-	5.74
UK Cap Gth Acc	21.7	22.9	+0.2	-
Scimitar Pac Basin Acc	24.8	26.4	-	-
Scimitar Mangd Except*	136.5	142.2	+9.2	-

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intnl Income Units	126.7	134.8	-	2.84
Intnl Accum Units	195.8	208.2	-	2.84
UK General Acc	35.1	38.4	-1.0	3.11
UK General Inc	31.9	34.1	-0.9	3.11
American	25.5	27.3	+0.4	0.64
European	34.5	36.9	+1.9	0.94
Japan	48.4	51.8xd	-0.5	-
Technology	31.5	33.7	-0.2	1.42
Performance Trusts				
Far East Perf Tst	15.9	17.1	-0.2	0.64
High Inc Perf Tst Inc	21.1	22.6xd	-0.4	5.37
High Inc Perf Tst Acc	21.6	23.1xd	-0.4	5.37
Worldwide Tact Perf Ts	24.6	26.1	-0.2	-

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	187.6	200.7	-4.2	3.01
Columbus (America)	117.8	126.0	-0.5	1.34
Marco Polo (Pacific)	184.9	197.8	-2.3	0.49
Da Vinci (European)	212.2	227.0	-1.8	1.58
Drake	46.5	49.8	-0.1	3.30

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	175.8	187.1	-4.1	3.13
UK Smlr. Cos. Equity	180.1	190.6	-2.5	2.36
European	155.6	165.4	-1.3	2.22
Far Eastern	47.9	51.0	-0.4	2.12
Japanese †	46.7	49.7	-0.5	0.36
North American	107.1	114.0	+2.3	1.51
International Growth	101.1	107.6	+0.2	1.29
Worldwide Venture	48.3	51.4	-0.2	5.25

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 9181

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Nov 2 87	196.2	206.6	-	3.07

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	124.5	133.9xd	-2.4	1.89

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N - 248 3999

Convertible & Gilt	58.5	62.1	-0.3	6.50
Accum Units	58.9	62.1	-0.3	6.50
Income	73.1	77.5xd	-1.7	5.63
Accum Units	73.1	77.5	-1.7	5.63
Smaller Co's	85.0	90.1	-0.9	1.67
Accum Units	85.0	90.1	-0.9	1.67
UK Growth	85.1	90.2	-1.6	1.50
Accum Units	85.1	90.2	-1.6	1.50

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40095

British Growth Fd	-	50.0	-	-

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	162.5	172.7	-	-
Friars Hse Inc Fd	140.5	147.9	-	-

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	148.0	157.4xd	-2.6	4.99

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Abingdon Rdio Assets	157.8	167.9	-	2.24
(Accum Units)	160.8	171.1	-	-
Far East & Gen.	46.2	49.1	-0.3	1.12
(Accum Units)	46.2	49.1	-0.3	-
Master Portfolio	40.867	42.429xd	-0.710	3.48
(Accum Units)	42.205	43.882	-0.727	-
American & Gen	52.6	55.9xd	-0.2	2.22
(Accum Units)	52.7	56.1	-0.2	-
Growth	185.5	197.3	-2.8	2.59
(Accum Units)	278.5	296.1	-4.1	-
High Yield	237.9	253.1	-5.2	4.79
(Accum Units)	251.3	267.3	[illegible]	-

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	361.5	380.6	—	—
Eb"r Ph Eq.	388.9	412.3	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	147.0	154.7	-3.7	—
International Acc.	116.8	122.9	-0.7	—
Property Acc.	117.8	124.0	—	—
Fixed Interest Acc.	152.5	160.5	+0.3	—
Money Acc.	129.1	135.8	+0.1	—
Bldg. Soc. Lnk Acc.	130.6	137.4	+0.1	—
Special Mngd. Acc.	134.9	142.0	-1.6	—
Phoenix/Prudential				
Intnl. Growth Acc.	76.1	80.1	-0.9	—
Amer & Gen. Acc.	71.5	75.2	-1.4	—
Capital Tst. Acc.	159.2	167.5	-0.7	—
Japan & Gen Acc.	152.6	160.6	+2.1	—
American Turn. Acc.	70.2	73.8	-1.2	—
Recovery Tst. Acc.	148.9	156.7	-0.8	—
Special Mngd Acc.	128.0	134.7	-0.4	—
Phoenix/GT				
International Acc.	112.1	118.0	-1.2	—
US & General Acc.	80.0	84.2	-2.2	—
Amer Spec Sits Acc.	53.9	56.7	-1.1	—
Japan & General Acc.	149.1	156.9	+2.7	—
Far East & Gen. Acc.	124.9	131.4	+2.9	—
UK Capital Acc.	144.9	152.5	-0.8	—
European Acc.	128.0	134.7	-1.3	—
Special Mngd. Acc.	112.5	118.4	-1.0	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 4655

Managed Fund	254.9	268.4	—	—
Man Pens Int & Cap Fds.	323.6	340.7	—	—
Money Fund	110.0	115.8	—	—
Pens. Mngd Fd (Init)	79.2	83.4	—	—
Pens Mngd Fd (Acc)	87.6	92.3	—	—
Pens FT30 Fd (Init)	118.6	124.9	—	—
Pens FT30 Fd (Acc)	131.1	138.0	—	—
Pens O'seas MgFd(Init)	52.5	55.3	—	—
Pens O'seas MgFd(Acc)	58.0	61.1	—	—
Pens Fxd Int Fd (Init)	106.6	112.3	—	—
Pens Fxd Int Fd (Acc)	117.8	124.0	—	—
Pens Deposit Fd (Init)	100.2	105.5	—	—
Pens Deposit Fd (Acc)	110.7	116.6	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH
Prufund
Managed Nov 11 ... 170.8

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1

Managed Fd.	309.8
Equity Fd.	759.4
Intnl. Fd.	286.8
Fixed Int. Fd.	358.8
Prop. Fd.	292.4
Cash Fd.	231.0
Pacific Basin Fd.	153.8
North American Fd.	113.3
European Fd.	133.9

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1

Managed	426.7
Equity	589.2
Global Equity	176.6
Fixed Interest	369.7
Property	287.5
Cash	195.0
Index Linked Gilt	163.7
Guaranteed	9.25
International Money	182.8
North American Fd	52.9
Japanese Fund	102.0
European Fund	71.8
Special Situations Fd	86.1
Commodities Fund	76.0
Smaller Cos. Fund	87.9

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH

Discretry Nov 18	£109.68
Equity Fund Nov 18	£112.71
Intnl Fund Nov 18	£18.43
Intl Bond Fd Nov 18	£10.09
Fixed Int. Nov 18	£46.00
Index Linked Nov 18	£40.25

Premium Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	97[illegible]	Treas 7¾pc 1985–88‡‡	99[illegible]		7.77	8.91
102[illegible]	99[illegible]	Exch 10½pc '88	100[illegible]		10.41	8.57
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]		9.69	8.63
98[illegible]	93[illegible]	Transport 3pc '78–88	98	−[illegible]	3.06	6.95
101[illegible]	98[illegible]	Treas. 9½pc '88	100[illegible]		9.44	8.67
105[illegible]	101[illegible]	Treas 11½pc 1989	103[illegible]	+[illegible]	11.16	8.79
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	101	+[illegible]	9.41	8.73
96[illegible]	89[illegible]	Treas 3pc 1989	95[illegible]	+[illegible]	3.14	6.13
104[illegible]	99[illegible]	Treas 10½pc 1989	102[illegible]		10.24	8.76
103[illegible]	98[illegible]	Exch 10pc 1989	101[illegible]		9.83	8.81
105[illegible]	100[illegible]	Exch 11pc 1989	103[illegible]	+[illegible]	10.61	8.78
96[illegible]	89[illegible]	Treas 5pc 1986–89	95[illegible]	+[illegible]	5.23	7.52
108[illegible]	99[illegible]	Exch 10¼pcCv '89	105[illegible]	+[illegible]	9.75	7.40
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	108[illegible]	+[illegible]	12.04	8.79
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	104[illegible]	+[illegible]	10.56	8.83
110[illegible]	103[illegible]	Exch. 12½pc 1990	107[illegible]		11.62	8.83
92[illegible]	84[illegible]	Treas. 3pc 1990	92[illegible]	+[illegible]	3.26	6.51
100[illegible]	93[illegible]	Treas 8¼pc 1987–90‡‡	99[illegible]	+[illegible]	8.32	8.64
105	97[illegible]	Treas. 10pcCv 1990	102[illegible]	+[illegible]	9.72	8.84
91[illegible]	81[illegible]	Exch 2½pc 1990	89[illegible]		2.78	6.27
110[illegible]	102[illegible]	Treas 11¾pc 1991	107[illegible]	+[illegible]	10.91	8.87
95[illegible]	87[illegible]	Funding 5¾pc '87–91‡‡	93[illegible]		6.13	7.87
90[illegible]	80[illegible]	Treas. 3pc 1991	89[illegible]	+[illegible]	3.37	6.55
110[illegible]	98[illegible]	Treas 10pc Cv '91 ‡‡	105[illegible]	+[illegible]	9.51	8.30
109[illegible]	101[illegible]	Exch. 11pc 1991	107[illegible]	+[illegible]	10.27	8.82
99	91[illegible]	Treas. 8pc 1991	97[illegible]	+[illegible]	8.21	8.77
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	113[illegible]	+[illegible]	11.26	8.86
106[illegible]	97[illegible]	Treas 10pc 1992	104[illegible]	+[illegible]	9.62	8.84
99[illegible]	90[illegible]	Treas. 8pc 1992 ‡‡	97[illegible]	+[illegible]	8.70	10.25
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	105[illegible]	+[illegible]	9.91	8.86
86[illegible]	79[illegible]	Treas. 3pc 1992	85[illegible]	+[illegible]	3.74	8.03
115[illegible]	105[illegible]	Exch. 12¼pc '92	112[illegible]	+[illegible]	10.89	8.95
121[illegible]	110[illegible]	Exch 13½pc 1992	117[illegible]	+[illegible]	11.50	8.97

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index–Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43⅞	26	RJR Nabisco Inc.	27⅞	–⅛	$1.40	–	3.3
39	21½	Rep NY Corpn $5	23⅞	+⅛	$1.16	–	2.9
18⅝	8¼	Rockwell Intl. $1	10⅝xd	+⅛	66c	–	3.5
30⅜	16¼	Sara Lee $1(1/3)	19⅞xd	–⅛	$1.00	–	2.9
11⅜	8⅞	Saul (B. F.) $1	9⅞	–¼	20c	–	1.3
27½	2¼	Southwestern Bell $1	20⅝	–⅛	$2.32	–	6.5
22⅝	10½	Staley Continental	10⅝		80c	–	4.2
44⅜	21⅝	Sun Co. Inc. $1	28	+⅛	$3.00	–	6.2
42⅝	22¼	TRW Inc. $0.625	23⅝xd	+¼	$1.60	–	3.9
37⅞	22⅝	Tenneco $5	23⅝xd	+¼	$3.04	–	7.3
220	149½	Do. 10pcLn.Stk. 91-5	150xd		10%	–	14.7
29⅝	16¼	Texaco $6.25	16⅞xd	–⅛	$3.00	–	10.2
74⅜	43⅞	Time Inc. $1	44⅝xd	–⅛	$1.00	–	1.3
20⅞	11	Tracor $0.33(1/3)	17⅝xd		40c	–	1.3
30⅛	15⅜	Transamerica $1	18⅝xd	–¼	$1.84	–	5.8
£14⅞	£11¼	Transworld Corp $5	792p	+12	20c	–	1.5
27⅞	12⅞	TRINOVA Corp.	14⅝xd	–⅛	56c	–	2.2
24⅜	12⅝	♦USX $1	16	–¼	$1.20	–	4.3
19⅝	10⅞	Union Carbide $1	12⅝xd	–¼	$1.50	–	7.0
37⅞	18⅞	Utd. Technologies	18⅞xd	–⅛	$1.40	–	4.4
38⅝	26¼	US West ‡	28⅝	–¼	$3.28	–	6.6
30⅛	17½	Waste Management $1	19⅝	–¼	–	–	–
31⅝	13⅞	Whirpool $1.0	15⅝	+⅛	–	–	–
37⅞	18⅞	♦Woolworth $3½	19⅞	–¼	$1.32	–	3.8

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	[illegible]	–10	†10.[illegible]	–	4.6	–
*1111½	733	Prudential	[illegible]	–13	†29.0	–	4.9	–
398	350	Refuge 5p	[illegible]		15.75	–	9.4	–
595	345	Royal	[illegible]	–3	†q15.5	–	5.8	–
110	85	Sabre Ins. Inv.	95	+2	–	–	–	–
*345	168	Sedgwick Group 10p	187	–9	12.0	1.7	8.8	8.0
339	198	Steel Burrill J.10p	[illegible]		19.[illegible]	2.0	7.7	8.9
668	405	Stewart Wr. 20p	[illegible]		†13.0	2.0	2.9	21.9
612	303	Stenge Hldgs 20p	[illegible]	–3	†6.0	2.5	2.3	21.3
1127½	645	Sun Alliance	[illegible]		†23.9	–	3.9	–
1213	865	Sun Life 5p	[illegible]		†28.5	–	4.5	–
69[illegible]	36½	‡Taisho M EDR	[illegible]	+½	[illegible]	–	1.0	–
22½	14½	Torchmark $1.00	[illegible]		Q$1.00	–	3.8	–
410	295	Trade Indemnity	[illegible]		†4.[illegible]	–	1.7	–
34	19½	Travelers $1.25	[illegible]	[illegible]	Q$2.20	–	6.4	–
30½	17½	USF & G Corp $2.50	[illegible]	[illegible]	Q$2.48	–	7.7	–
39½	16½	USLIFE Corp. $1.0	27½		Q$1.28	3.2	4.5	7.3
758	556	Wind Friendly B 10p	640	–5	21.0	–	4.5	–
464	202	Willis Faber 12½p	275	–2	†10.75	2.4	6.8	8.2
128	41	Windsor Secs. 10p	72	–3	†0.7	1.5	1.3	–

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	14	–1	–	–	–	–
242	92	Airtours 10p	[illegible]		[illegible]	1.5	7.4	11.8
*549	289	Anglia TV	2[illegible]	+1	†q11.25	3.3	5.3	8.1
308	78	Arley	138	+5	–	–	–	–
194	95	Aspinall Hldgs. 10p	95	–1	[illegible]	1.2	8.7	13.8
141	63	Avenco 1p	75		0.5	6.7	0.9	21.2
72	40	BCE Hldgs 5p	52	–3	L[illegible]	[illegible]	2.6	[illegible]
300	132	Barr & W.A.T. 'A'	[illegible]	–5	[illegible]	1.6	5.1	17.5
58	22	Boal Media	26		–	–	–	–
295	165	Boosey & Hawkes	[illegible]		–	–	–	–
83	28	Border T.V.	[illegible]	–2	1.4	[illegible]	4.5	[illegible]
*439	43½	Brent Walker 10p	275	–1	[illegible]	2.2	5.8	11.3

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES – Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 9	Nov19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 18	Jan 4

*New time dealings may take place from 9.00am two business days earlier.

Shares fall and Gilts remain subdued as details from US deficit talks awaited

THE UK SECURITIES markets continued to dance to the tune of the US Budget deficit negotiations yesterday. Share prices, well on the downside throughout, slid away sharply in late dealings after conflicting reports on the progress of the budget discussions in Washington as today's Gramm-Rudman deadline drew nearer.

Government bonds opened firmly in response to a firm pound and edged higher again on satisfaction with the UK bank lending figures, showing a £2.9bn rise in October. But bonds turned flat after an optimistic comment on the budget talks from the White House, and made no further movement as the session ended. Sentiment was not helped by the withdrawal from marketmaking in Gilts of Hill Samuel, although this had been on the cards ever since the TSB offer for the group.

The session was bedevilled by the "conflicting signals" from the US on the prospects for a budget deficit accord before the Gramm-Rudman cuts of $23bn take automatic effect today. The FT-SE 100 Index was more than 20 points down, as London reacted to worries that forced budget cuts could mean a renewed setback on Wall Street. Similar worries were fuelled by the renewed weakness in the dollar which pushed the pound higher, putting pressure on the UK exporting stocks. But bearish sentiment in equities was good for Gilts at first.

Domestic factors played a subdued role in the marketplace. Government bonds, although favourably receptive to the latest statistics on UK money supply and bank lending, could not hold an initial upturn in prices. A batch of trading results from such major UK companies as **Beecham, British Gas and Plessey** did little to restore vigour to the equity sector, where turnover, now bereft of the contribution from **British Petroleum** "new", was disclosed as a disappointingly thin 418m shares at 5.00pm.

The FT-SE 100 Index closed 24.6 down at 1639.1. Amanda Sells, chart analyst at Chase Manhattan Securities' London office, warned that if the 1600 FT-SE point is lost again, there is little sign of support before the 1515 area.

A major concern is the lack of trading volume behind the recent rally in equities. The flurry in BP "new" was responsible for nearly half daily volumes on Tuesday and Wednesday, and there have also been large overnight sale and repurchases for tax purposes - a technique which hardly counts as genuine investment support.

At Wood Mackenzie, Bob Semple told clients yesterday that *"the recent rally has run out of steam"*. Stocks which proved illiquid in the crash will be sold into any strength, he believes, and investors should be looking for a new trading range of around 1500 to 1750 FT-SE - and taking profits above 1700.

Christopher Wickham and Peter Hitchens at Shearson Lehman Securities, while believing that the boom in the UK economy is by no means over warn that "the longer term outlook may not be so favourable. At some stage, the authorities will be "provoked" into action to quell credit expansion.

"The present recovery in UK share prices may be a little more than just a temporary correction", add the Shearson researchers. "It is not neccessarily surprising that with a highly liquid corporate sector, healthy prospects for the UK real economy, and a seasonal bounce in institutional cash flow, UK equities were able to stage a recovery from relatively depressed levels."

Traders commented that, while retail interest in Gilt-edged securities remained very light, prices have been quick to respond to any sign of weakness in equities which, the market believes, would prompt both a "flight to quality" by investors and also another cut in UK base rates.

Beecham settled a shade cheaper at 435p in the wake of the announcement of half-yearly profits of £181.2m which were much in line with market expectations.

Dr. Ahnab Banerji of the Nomura Research Institute regarded the results as "solid but unexciting", a view echoed in other quarters. Analysts are now awaiting further developments in connection with approval in both the US and UK for the company's new drug Eminase, designed to dissolve blood clots, in particular those associated with the heart.

British Gas drifted back to close 5 easier at 129p on a disappointingly low turnover of 8.8m shares after revealing interim net income, on a historic basis, of £73m - slightly above market expectations.

But dealers were slightly disappointed with the dividend and remained unsettled over a possible reference to the Monopolies Commission in the near future.

Plessey were persistently sold and dropped to 131p at one point before closing a net 14 off at 132½p after the second quarter results which, at £33m were fully £2m below the most pessimistic City forecasts.

A leading analyst of the company said the figures were "disappointing" and that he expected profits forecasts for the full-year to be cut to around £170m pre-tax. But he added that the share price was supported on the basis of the dividend yield, cash and bid prospects.

Blue Arrow, the employment agency, which recently acquired Manpower of the US, were again one of the most actively traded stocks (some 27m shares changed hands on Tuesday and yesterday's total was not far short of that level) but closed a shade lower on the day at 94p.

Much of the activity, however, represented bed and breakfast deals (the practice of selling overnight and repurchasing the stock next day in order to establish a tax loss) following the recent sharp shakeout in the shares on fears about the company's US exposure.

Guinness settled down as business became more evenly balanced after Wednesday's late weakness on the decision to take court action against the Takeover Panel. If the Panel's ruling on a purchase of 10.6m Distillers' shares made during last year's battle for control is not overturned, Guinness could be required to pay approximately £100m in compensation. Turnover contracted noticeably yesterday, being less than a third of the previous session's volume, and the price closed 4 easier at 231p.

Whitbread were torn between analyst's divided views on the group's status. Citicorp Scrimgeour Vickers, for example, advise fund managers to increase weightings, County NatWest take a neutral view and Wood Mackenzie feel there are better opportunities within the sector. The "A" shares dithered and were finally a shade lower at 257p. **Allied-Lyons** drew further comfort from the intention to increase its Japanese exposure. The group is making a public offering of shares in the joint venture B-R 31 Ice Cream on the Tokyo over-the-counter market. Allied-Lyons shares held the overnight level for much of the session before drifting off a few pence late to 326p.

Banks gave ground across the board but dealers reported only minor selling pressure. **NatWest** weakened late in the day, closing 10 off at 540p as a leading broking firm switched its clients out of the stock and into **Lloyds**- the latter were little changed on the day at 233p.

Third Market newcomer **Propellor**, a designer and manufacturer of tee-shirts and sweat shirts staged a satisfactory debut, the shares closing at 46p, a penny above the placing price of 45p.

Interest among leading Building issues remained in low key and prices drifted. **Blue Circle** slipped 16 to 329p, **Tarmac** softened 4 to 215p and **Rugby** finished 9 off at 211p. Among Contruction issues, **Taylor Woodrow** encountered occasional offerings and settled 10 down at 322p while **Costain** dipped 8 to 250p. **Crest Nicholson** were 3 cheaper at 155p despite a broker's recommendation, but **Anglia Secured Homes** attracted fresh support and, in a restricted market, rose 25 to 300p.

ICI did little more than following the market trend and eased to £10¼. **Wardle Storeys** encountered profit-taking and closed 20 lower at 505p; brokers Morgan Grenfell still rate the shares, pointing out that the company has again demonstrated its ability to upgrade margins and squeeze cash from both its core and acquired businesses.

Preliminary figures from the **Burton Group** -pre-tax profits came out at £183.4m against a comparable figure of £148.7m - were at the top end of analysts' forecasts and the share price moved in a narrow range prior to ending the session unaltered at 230p after a turnover of 3.5m shares.

The disappointing second quarter results from Plessey triggered general selling of other leading issues. The worst affected were **STC**, 11 lower at 189p and **Racal**, a similar amount down at 222p, while **GEC** eased 5 to 164p on a turnover of almost 6m shares.

The Saudi telex contract failed to sustain **Telecom**, 5 off at 219p on a 9.2m shares turnover while the latest steep fall in the dollar and selling ahead of the half-year figures due next Wednesday, left **Cable & Wireless** 21 down at 297p.

Interim figures from **Chloride** failed to match best expectations and the shares slipped to 49p prior to closing 4 off at 50p.

Davy Corporation ran into further selling and closed 10 cheaper at 129p for a two-day loss of 38 as analysts downgraded their profits forecasts following Wednesday's poor half-yearly results. Elsewhere in the Engineering sector, **Bromsgrove** contrasted with a rise of 7 at 113p after the interim figures and acquisition news. **Ransomes Sims**, reflecting the announcement that F.H.Tomkins had increased its stake in the company to nearly 7 per cent, advanced a similar amount to 240p. **Thomas Locker** hardened a couple of pence to 39p on the interim figures.

Activley traded and sharply higher at one stage on Thursday on hopes that the company may glean further payments relating to the battle for control of Distillers, **Argyll Group**, the Scottish-based Food Retailing group, eased 5 to 180p on confirmation that leading light Mr Jimmey Gulliver intends to retire as chairman and as a director following the company'sAGM in September 1988. Mr Alistair Grant, the man taking over from Mr Gulliver, intends to continue to confer with Mr Gulliver after he leaves next year - not least on the matter of prospective Guinness litigation.

International stocks traded on an extremely quiet note. The fresh weakness in the US dollar was a drag on sentiment, but most quotations did little more than fluctuate narrowly before settling a shade better for choice. **Glaxo**, however, ended ⅛ off at £10⅝ and **Reuters B** suffered a a reaction of 16 to 438p.

Elsewhere, **Amari** featured a rise of 18 to 158p amid talk of a bid from **Suter**. The latter, which holds a sizeable stake in Amari, dipped 24 to 167p. In contrast, **Sac International**, still reflecting the lower-than-forecast preliminary figures, came under renewed selling pressure and weakened to 165p, down 25 on the day. News of the agreement to acquire J.L.Shiely of the US for some $41.7m unsettled **English China Clays**, which closed 132 down at 342p.

Independent radio station **Capital Radio** surprised the market with doubled annual profits and the price responded with a gain of 12 at 173p. **Radio Clyde** rose 15 to 100p in sympathy. Elsewhere in the Leisure sector, **Chrysalis** came under pressure following adverse Press comment and closed 10 lower at 143p, while recent favourite **Stanley Leisure** reacted on end-Account profit-taking to close 18 lower at 227p.

Jaguar fell victim to the dollar exposure factor and closed 15 down at 285p but **Rover** improved further to 76p, still on the forecast of a return to profitability. Components went lower with **Lucas Industries** closing 7 easier at 504p and **Dowty** 5 off at 165p. A strong "buy" recommendation for **Lex Service** was ignored and the shares made a low for the year of 261p before ending a net 4 cheaper at 264p. County NatWest says the group is still on course for a very good year and that the share price reaction has been excessive.

Inconclusive views on **John Waddington** following the interim statement helped lower the price 6 further to 193p. Wood Mackenzie suggests the current discount rating is likely to be maintained pending confirmation that the group has rebuilt its trading momentum. The recent recovery in **Bunzl** ended abruptly, the shares losing 5 to 152p, but a few Advertising Agencies were saved by Kleinwort Grieveson's latest circular. **Lowe Howard-Spink**, for instance, gained 6 to 271p.

Properties had little to offer and closed lower throughout the list. **Land Securities** gave up 13 at 450p, as did **British Land**, at 218p. **MEPC**, reporting shortly, were relatively steady and closed only 2 cheaper at 448p. **Slough Estates** gave up 4 at 236p and **Hammerson A** lost 10 at 438p.

Courtaulds, scheduled to reveal interim figures next Wednesday, drifted back during a turnover of 1.3m shares to close 11 cheaper on the day at 334p.

A string of falls appeared against miscellaneous Financials. The high level of unit trust redemptions brought more pressure on fund management groups and **M & G** shed 7 further to 231p while **GT** gave up a similar amount at 170p. Independent securities house, **Smith New Court**, retreated 10 to 195p and USM-listed **York Trust** weakened sharply to end 12 down at 65p.

A feeling of anti-climax permeated the oil and gas sector after the high-pressure activity generated by the Kuwait Investment Office's purchase of a 10.06 per cent stake in BP since the sale of the Government's remaining stake in the company.

The withdrawal of the KIO as a buyer of **BP** "new" saw the share price dip 3½ to 78½p - but a leading trader said market makers would be "keeping a keen eye out for any signs that the KIO could be returning to up its stake to the maximum permitted 14.9 per cent." BP "old" fell 6 to 250p.

Traded option contracts totalled 22,721, well down on the previous day's figure. Calls amounted to 10,975 and puts 11,746. The **FTSE** contract attracted 624 calls and 1,133 puts.

Traditional Options

● **First dealings Nov 16● Last dealings Nov 27● Last declarations Feb 18● For Settlement Feb 29** *For rate indications see end of London Share Service*

Interest in the traditional option market fell away to an all-time low. Among a handful of stocks dealt in for the call were **Abaco, British Telcom and Blacks Leisure**. No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Nov. 19	Nov. 18	Nov. 17	Nov. 16	Nov. 13	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.89	90.70	90.74	90.28	90.63	80.48	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.28	95.64	95.34	95.20	95.36	88.04	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1289.9	1309.3	1310.6	1325.6	1317.1	1259.8	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	296.9	285.5	284.0	288.2	288.2	309.1	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.80	4.73	4.73	4.66	4.69	4.50				
Earnings Yld. %(full)	11.86	11.70	11.68	11.51	11.60	10.43				
P/E Ratio (net)(*)	10.30	10.45	10.47	10.62	10.54	11.73				
SEAQ Bargains (5pm)	22,180	24,702	26,011	36,342	42,229	27,162				
Equity Turnover (£m)	-	1818.04	1072.92	1301.55	1303.63	717.65				
Equity Bargains	-	29,735	30,235	40,722	51,882	35,687				
Shares Traded (ml)	-	646.5	658.2	657.3	610.6	408.4				

S.E ACTIVITY

Indices	Nov.18	Nov.17
Gilt Edged Bargains	120.2	128.3
Equity Bargains	192.7	195.9
Equity Value	3674.7	2168.6
5-Day average		
Gilt Edged Bargains	126.6	136.1
Equity Bargains	273.5	291.8
Equity Value	2904.4	2737.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1300.8	1287.3	1289.0	1288.9	1289.3	1289.3	1289.8	1292.9

Day's High 1300.8 Day's low 1285.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.14.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (7).
BRITISH FUNDS (1) Treas. 2pc. I 1988. [illegible]

NEW LOWS (71).
AMERICANS (3) CANADIANS (3) BANKS (2) BUILDINGS (1) STORES (2) ELECTRICALS (14) ENGINEERING (2) FOODS (6) INDUSTRIALS (9) LEISURE (2) PAPERS (1) PROPERTY (4) SHOES (1) TRUSTS (3) OILS (3) MINES (3)

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,600	English China Clays	415	Plessey	7,000
Allied-Lyons	941	Enterprise Oil	627	Prudential	798
Amstrad	444	Fisons	800	Racal	2,450
Argyll Group	3,100	Gen. Accident	221	Rank Org.	261
Assoc. Brit. Foods	207	Gen. Elect.	4,000	RMC	11
BAA	7,200	Glaxo	1,300	RHM	1,100
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	495	1,246	1,201

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 19 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Nov 18 Index No.	Tue Nov 17 Index No.	Mon Nov 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (213)	654.49	-1.8	10.78	4.34	11.67	19.10	666.61	669.47	679.33	668.26
2	Building Materials (30)	863.49	-2.2	10.97	4.26	11.40	22.91	883.27	886.96	902.79	829.08
3	Contracting, Construction (33)	1222.60	-1.4	10.20	4.08	13.10	31.12	1240.17	1241.64	1248.66	1133.91
4	Electricals (14)	1808.04	-0.9	10.19	4.84	12.76	62.76	1823.57	1806.61	1811.83	1694.23
5	Electronics (33)	1407.21	-3.5	11.31	3.60	11.57	35.99	1458.72	1482.41	1482.31	1441.67
6	Mechanical Engineering (60)	321.85	-1.0	11.50	5.04	10.93	11.28	325.14	326.73	337.62	369.85
8	Metals and Metal Forming (7)	381.98	-0.4	10.31	4.32	[illegible]	11.55	383.47	388.91	392.58	335.45
9	Motors (14)	239.87	-2.1	12.68	4.83	9.17	7.31	245.02	246.29	258.59	254.54
10	Other Industrial Materials (22)	1141.76	-0.5	9.11	4.54	13.06	37.16	1147.39	1158.54	1182.34	1218.23
21	CONSUMER GROUP (183)	964.72	-0.8	8.80	3.70	14.45	21.28	972.85	971.32	992.48	915.86
22	Brewers and Distillers (21)	888.81	-0.9	11.31	4.18	11.17	17.53	897.07	900.29	918.39	938.81
25	Food Manufacturing (23)	766.71	-0.4	9.86	4.16	13.10	17.48	770.05	776.60	789.01	711.67
26	Food Retailing (17)	1987.13	-0.4	7.74	3.00	17.21	40.31	1994.37	1976.53	2015.26	1825.95
27	Health and Household Products (10)	1686.61	-1.5	6.85	2.63	17.15	27.95	1711.09	1691.59	1744.15	1485.09
29	Leisure (30)	1024.48	-1.2	7.92	4.45	15.76	28.40	1036.62	1034.61	1044.22	945.38
31	Packaging & Paper (16)	450.83	-1.5	9.26	4.02	14.22	11.22	456.98	457.37	463.18	470.23
32	Publishing & Printing (15)	3129.39	-0.3	6.96	4.66	18.15	95.15	3137.14	3120.85	3178.40	2547.20
34	Stores (35)	817.28	-0.3	9.14	3.68	14.68	18.97	820.05	826.11	848.62	828.39
35	Textiles (16)	566.	-2.9	11.11	4.07	10.41	15.15	583.76	567.37	579.67	537.31
40	OTHER GROUPS (87)	796.59	-1.4	10.92	4.47	11.40	20.88	808.09	805.94	822.40	778.97
41	Agencies (17)	937.15	-1.5	6.55	2.44	20.06	16.91	951.04	953.32	976.23	0.0
42	Chemicals (21)	966.26	-1.2	10.31	4.84	11.84	33.18	978.31	978.04	1001.33	971.04
43	Conglomerates (13)	1064.62	-1.0	9.65	4.39	13.86	22.33	1075.06	1072.42	1086.07	0.0
45	Shipping and Transport (11)	1646.73	+0.7	10.34	5.08	12.69	51.44	1634.98	1644.55	1653.01	1504.81
47	Telephone Networks (2)	846.24	-3.1	11.98	4.78	11.13	18.98	873.14	878.53	886.29	777.89
48	Miscellaneous (23)	1117.52	-0.5	13.43	4.24	8.88	33.29	1123.11	1120.16	1150.88	1091.02
49	INDUSTRIAL GROUP (483)	845.84	-1.2	9.87	4.07	12.77	21.08	856.47	856.12	872.97	824.93
51	Oil & Gas (17)	1583.75	-2.5	10.49	6.21	11.75	65.74	1623.96	1620.15	1598.90	1419.55
59	500 SHARE INDEX (500)	908.39	-1.4	9.96	4.39	12.60	24.93	921.54	928.98	934.48	824.77
61	FINANCIAL GROUP (120)	597.48	-1.5	-	5.22	-	20.62	606.54	605.00	611.98	598.58
62	Banks (8)	607.60	-1.5	21.96	6.41	6.02	25.98	616.83	615.27	626.75	651.81
65	Insurance (Life) (8)	885.83	-1.5	-	5.19	-	32.56	899.69	912.23	922.03	829.20
66	Insurance (Composite) (7)	474.87	-0.3	-	5.81	-	18.69	475.47	471.52	468.98	442.55
67	Insurance (Brokers) (8)	765.74	-2.5	14.50	7.49	8.82	38.19	785.36	773.55	771.61	1232.60
68	Merchant Banks (11)	329.51	-1.8	-	4.28	-	8.69	335.47	330.13	333.62	352.74
69	Property (49)	898.39	-2.1	5.45	3.33	23.63	16.77	917.43	913.73	927.93	785.80
70	Other Financial (29)	368.99	-1.5	9.77	4.37	12.95	11.27	374.60	374.54	379.87	363.16
71	Investment Trusts (88)	780.15	-1.3	-	3.19	-	15.94	790.70	788.12	795.18	828.40
81	Mining Finance (2)	370.56	-2.2	12.27	4.61	9.18	12.77	378.80	383.50	380.21	329.74
91	Overseas Traders (10)	847.43		10.74	5.76	10.91	36.40	847.53	856.26	869.10	759.26
99	ALL-SHARE INDEX (720)	824.11	-1.4	-	4.49	-	23.48	836.09	835.40	846.89	808.45

	Index No.	Day's Change	Day's High	Day's Low	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12	Year ago
FT-SE 100 SHARE INDEX ♦	1639.1	-24.6	1658.8	1637.5	1663.7	1660.3	1684.7	1678.3	1702.5	1610.7

FIXED INTEREST

	PRICE INDICES	Thu Nov 19	Day's change %	Wed Nov 18	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.35	+0.09	124.24	-	10.83
2	5-15 years	143.22	+0.13	143.03	-	12.14
3	Over 15 years	151.60	+0.11	151.44	-	12.41
4	Irredeemables	168.98	+0.20	168.65	-	13.95
5	All stocks	139.33	+0.12	139.17	-	11.56
	Index-Linked					
6	5 years	124.86	+0.11	124.72	-	2.18
7	Over 5 years	116.16	+0.40	115.70	-	2.89
8	All stocks	116.71	+0.37	116.28	-	2.82
9	Debentures & Loans	119.44	+0.09	119.33	-	9.94
10	Preference	85.00	-	85.00	-	5.74

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 19	Wed Nov 18	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflation rate 5%	5yrs	[illegible]	[illegible]	[illegible]
12	Inflation rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13	Inflation rate 10%	5yrs	[illegible]	[illegible]	[illegible]
14	Inflation rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16		15 years	[illegible]	[illegible]	[illegible]
17		25 years	[illegible]	[illegible]	[illegible]
18	Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1650.8; 10 am 1639.2; 11 am 1640.7; Noon 1640.6; 1 pm 1639.9; 2 pm 1639.8; 3 pm 1640.6; 3.30 pm 1642.7; 4 pm 1643.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 19 Total Contracts 22,721 Calls 10,975 Puts 11,746
FT-SE Index Calls 624 Puts 1,133
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

November 19	Price Sch %	+ or −
Creditanstalt	2,000	—
Goesser	2,750	−30
Interunfall	11,120	−20
Jungbunzlauer	6,820	+20
Laenderbank	367	+2
Perlmooser	627	+2
Steyr-Daimler	113	—
Veitscher Mag	630	−20

BELGIUM/LUXEMBOURG

November 19	Price Frs.	+ or −
B.B.L.	2,490	—
Banque Gen. Du. L.	13,300	—
Bank Int. A	13,000	—
Bekaert B	7,770	−30
Ciment CBR	4,525	−85
Cockerill	140	+2
Colruyt	6,500	−10
Delhaize	2,910	−40
EBES	4,460	−90
Fabrique Nat	798	−2
GB Inno BM	900	−6
GBL (Brux)L	2,680	−5
Generale Bank	4,650	+30
Gevaert	6,150	−20
Hoboken	5,790	−60
Intercom	3,500	−90
Kredietbank	3,410	+50
Pan Holdings	18,800	—
Petrofina	9,610	−190
Raffinerie Tirle	1,358	−10
Royale Belge	4,500	−20
Soc Gen Belge	2,400	−5
Sofina	9,720	+70
Solvay	10,050	—
Stanwick Intl	450	—
Tractebel	5,700	−100
UCB	7,600	—
Wagons Lits	3,730	—

DENMARK

November 19	Price Kr %	+ or −
[illegible]		

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

November 19	Price Dm.	+ or −
AEG	231	−3
Allianz AG	1,060	−58
BASF	255.2	−1.8
Bayer	273.3	−1.7
Bayer-Hypo	316	−7
Bayer-Verein	330	−2
BHF-Bank	343	−4
BMW	438.5	−6.5
Brown Boveri	284	—
Commerzbank	225	−4
Cont'l Gummi	213	−5.2
Daimler-Benz	660	−20.5
Degussa	319	+6
D'sche Babcock	153.5	+3.5
Deutsche Bank	449.5	−7.5
Dresdner Bank	238.5	−2
Feldmuehle Nobel	255.5	−4.5
Henkel	530	+27
Hochtief	373	−1.5
Hoechst	253.9	−1.1
Hoesch Werke	99	−2
Holzmann (P)	281.1	−3.9
Horten	175	+6
Husel	446	—
Karstadt	470	+11
Kaufhof	441.5	−0.5
KHD	97	−6.2
Kloeckner Werke	81	+3
Linde	509	+16
Lufthansa	118.5	−3.5
MAN	119.5	−2
Mannesmann	117	−0.6
Mercedes Hld	535	−18
Metallgesell	215.5	−4.5
Muench Rueck	1,045	−30
Nixdorf	565	+4
Porsche	471	−24
Preussag	129	+1
Rhein West Elect	222	+2
Rosenthal	192	−9.8
Schering	408	+3
Siemens	395.5	−5.5
Thyssen	109	+0.5
Varta	231	−2
Veba	272	−9.5
V.E.W.	159.5	−0.5
Verein-West	354	—
Volkswagen	265	−1

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices November 19

[illegible]

MONTREAL
Closing prices November 19

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TOKYO – Most Active Stocks
Thursday, November 19, 1987

[illegible]

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:

Amari	158	+16
Capital Radio	173	+12

FALLS:

Blue Circle	329	−16
Britoil	191	− 8
Cable & W.	297	−21
Davy Corp	129	− 7
Engl. China Cl.	342	−13
Jaguar	285	−15
Land Securities	450	−13
LASMO	223	−12
Plessey	132½	−14
Reuters B	438	−16
Rugby Group	211	− 9
SAC Intl	165	−33
Sedgwick	187	− 9
Suter	166	−25
Wardle Storeys	505	−20
York Trust	65	−12

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14 3/4	AAR s	.36	2.0	16	44	17 3/4	17 1/4	17 3/8	+3/8
32 1/2	17 1/2	AFG s	.16	.7	8	1313	23 7/8	22 3/4	22 3/4	−1 1/4
27	10 1/2	AGS s			13	86	15 1/2	14 3/4	14 3/4	−5/8
10 1/2	6 1/2	AMCA				1	6 7/8	6 7/8	6 7/8	
9 3/8	3 1/4	AM Intl			49	269	5 3/4	5 3/8	5 3/8	−1/8
65 1/2	29 1/2	AMR			9	4850	32 1/2	31 1/2	31 1/2	−3/4
25	19	ANR pf 2.12		10.		10	20 1/2	20 1/2	20 1/2	
12 1/4	6 3/8	ARX s			7	175	7	6 7/8	7	
73 1/2	34 1/2	ASA	2a	4.5		184	45	44 1/4	44 1/2	−1/2
22 5/8	9 1/2	AVX			16	74	13	12 3/4	13	+1/8
67	40	AbtLab	1	2.2	17	3877	46 3/4	45 1/8	45 3/4	−1/4
28	15 3/8	Abitibi g				444	17 1/2	17 1/4	17 1/2	+1/4
16 3/4	6 1/2	AcmeC .40		4.6	9	170	9	8 1/2	8 5/8	−3/8
19 1/2	13 7/8	AdaEx 3.34e		19.		106	17 5/8	17 1/4	17 1/2	+1/4
19 1/2	7 3/4	AdmMl s .24		2.7	7	13	9	9	9	−1/8
35	14 3/8	AdvSys			19	1058	25 1/8	24 1/2	24 1/2	−1 1/2
24 7/8	9 1/2	AMD				4319	10 1/4	9 3/4	9 7/8	−3/8
56 3/4	30 1/2	AMD pf	3	9.7		343	31	30 1/2	30 7/8	
11 7/8	4 3/4	Adobe			718	5	d	4 5/8	4 7/8	−1/4
20 1/2	15 1/2	Adob pf 1.84		11.		5	17 3/8	17 1/8	17 1/8	−1/4
21 7/8	17	Adob pf 2.40		12.		43	20 3/8	20 1/8	20 1/8	−1/2
15	6 1/8	Advest .12a		1.5	6	182	8 1/8	7 7/8	8	−1/8
68 1/4	46	AetnLf 2.76		5.7	7	2535	50 1/4	48 1/4	48 3/4	−1/2
83 1/2	30 5/8	AflPb s .32		.7	7	228	48	46 5/8	46 3/4	−1 1/4
26 7/8	15	Ahmans .88		6.0	6	2494	15 3/8	d14 5/8	14 5/8	−7/8
6 3/8	1 3/4	Aileen				22	2 5/8	2 5/8	2 5/8	−1/8
53 7/8	29	AirPrd	1	2.9	12	1078	35 7/8	34 1/2	34 1/2	−1 3/4
36	11 1/2	AirbFrt .60		4.8	6	218	12 3/4	12 1/2	12 1/2	−1/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
86	50	Xerox	3	5.3	12	7200	56½	55½	55⅝	−1⅛
56¼	52⅛	Xerox pf5.45		10.		14	54⅝	54¼	54¼	+⅛
61½	15⅜	XTRA	.64	2.9	14	97	22⅜	21	21⅝	−1
25¼	19½	XTRA pf1.94		9.3		72	20⅞	20¼	20¾	−⅛
33⅞	16⅝	Yorkin			9	78	22⅝	22¼	22½	−⅛
7⅛	2⅞	Zapata				2213	3	2⅞	2⅞	−⅛
37	14⅝	Zayre	.40	2.3	6	3082	17⅝	17⅛	17¼	−⅜
33⅝	10	ZenithE				1801	14	13½	13⅝	−⅜
13½	3⅞	ZenLab				405	4	3⅞	3⅞	−¼
25½	13⅞	ZenNII	.80	4.8	8	48	16⅞	16⅝	16⅝	−⅛
20⅜	11⅝	Zero	.36	2.9	12	58	12⅝	12¼	12¼	−¼
30¼	15	Zurnins	.88	3.6	12	231	18½	18¼	18¼	−⅝
10⅞	7⅞	Zweig	.68e	7.9		428	8⅝	8⅝	8⅝	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

WORLD STOCK MARKETS

AMERICA

Stocks lose recent gains as budget talks drag on

Wall street

AS EVER clearer evidence of the impasse in the budget deficit reduction talks filtered out of Washington, US share prices tumbled to close below the 1,900 level for the first time since November 11, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 43.77 points lower at 1,895.39.

Frustration with the hopelessly slow pace of the negotations has given way to a sense of tedium, and few institutions were active in the market.

Volume totalled only 157.1m shares, a typical level for a week which has seen very little activity.

The US Treasury bond market continuedto drift quietly and prices were little changed on the levels prevailing for most of this week.

The US Treasury's benchmark 8.875 per cent 30-year bond ended unchanged from Wednesday's close at 99.13 for a yield of 8.92 per cent, while Treasury bill rates slid as investors continued their shift into short-term paper.

Treasuries across the maturities spectrum, even longer-dated bonds which have been under modest pressure this week, showed small gains as some funds came into the market as equities fell. Movements and activity, however, were subdued.

Financial markets increasingly seem wearied by the total lack of clarity emerging from Washington.

All the signs are that the package in its present form, already decisively rejected by House Republicans, could total less than the $23bn required under the Gramm-Rudman-Hollings law.

Now there is even the possibility that today's Gramm-Rudman deadline could be extended, leaving the markets to face perhaps weeks more of uncertainty.

While Washington continues to agonise over the budget, markets are likely to have little motivation or direction.

There is little to go on technically, with the Dow index comfortably settled in the middle of a relatively broad trading range.

Market opinion appears to be deeply divided on the market's near-term prospects. Some analysts feel that, as soon as the deficit package is announced, Wall Street could test new lows below the 1,800 level.

Others see the relative resilience of the market this week in the face of negative news from Washington as a sign that equities are consolidating nicely after October's collapse.

There is also talk of a rally in December as stock index funds reverse their substantial futures trades in October. One Wall Street equities analyst said the market was so quiet it was ominous.

News that Senate Banking Chairman William Proxmire has introduced a bill to repeal the 1933 Glass-Steagall act separating thecommercial and investment banking systems, saw securities industry shares lower across the board.

Around mid-session, immediately after the news, First Boston stood $2 lower at $23½, Merrill Lynch $1¼ down at $20¾ and Salomon Brothers lost $¾ at $17⅞.

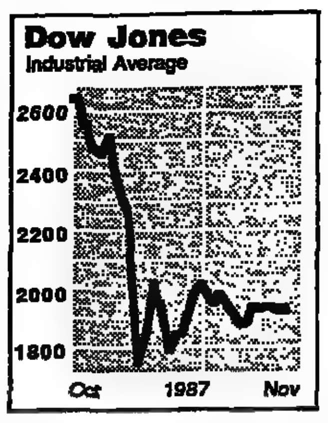
Featured stocks yesterday included CBS and Sony after news that CBS has sold its record business to Japanese consumer electronics giant Sony Corp for about $2bn. News of the deal had been circulating in the market on Wednesday, pushing CBS' shares substantially higher.

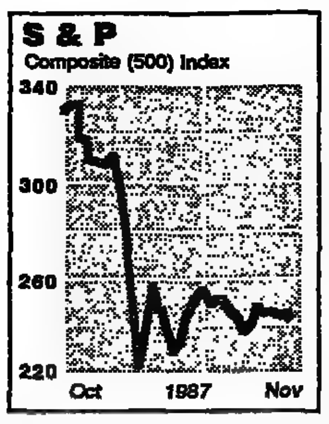
Yesterday, CBS, which was trading ex a 75 cents dividend closed $7 ¾ lower at $167½, apparently undermined by uncertainty about what CBS intends to do with the proceeds of the sale. Sony's American Depository Receipts lost $1 to $34½.

Among companies announcing their results, Hewlett-Packard reported a 14 per cent increase in net revenue and a 25 per cent increase in net earnings for its 1987 fiscal year.

Crazy Eddie, the cut-price consumer electronics retailer, fell $9/16 to $1 11/16 after the new management reported the discovery of a substantial shortfall in the company's inventory and predicted a substantial third quarter loss.

Publishing and information company Bell and Howell, under seige from the Bass Group, Macmillan Inc and Maxwell Communication Corp, yesterday announced it was inviting proposals from all possible suitors. The news boosted its share price $5 to $65¼.





Canada

TORONTO stocks closed broadly lower as major share groups shadowed a sharp decline on Wall Street, analysts said.

The composite index, which had fallen about 45 points in earlier trading, recovered slightly to close down 35.30 at 2887.40 as declines outpaced advances by 553 to 308 on volume of 24.8m shares.

Lack of progress in budget deficit talks in the US is creating uncertainty in the market, said Joseph Ismail of Walwyn Stodgell Cochran Murray.

Among most actives, Royex Gold slipped C$⅛ to C$6⅛, Canadian Pacific fell C$⅝ to C$19¼ and Alcan Aluminium dropped C$½ to C$31⅝.

EUROPE

Blue chips adopt low profile in thin trade

A LATE rise in the dollar and bullish comments by the White House on a pending agreement to reduce the US budget deficit came too late to lift European bourses out of their quiet declines. Blue chips were broadly lower after an earlier slide in the US currency.

FRANKFURT picked up from its worst levels but finished marginally lower after a 2 pfg drop in the dollar after the markets reopened quietly folowing a holiday.

The Commerzbank index eased 1.1 to 1,355.1 and the Boersen-Zeitung index dipped 2.09 to 283.82.

The absence of positive development towards reducing the US budget deficit also weighed on the market.

Siemens dropped DM15.50 to DM385.50 as dividend cut continued to undermine interest.

Banks saw Deutsche lose DM7.50 to DM449.50, Dresdner shed DM2 to DM238.50 and Commerzbank slip DM4 to DM225.

Cars, vulnerable to weakness in the dollar, were lower.

Steelmaker Thyssen ended 50 pfg higher at DM103 after denying rumours that it was planning to cut the dividend on 1987 earnings.

The Bundesbank sold DM160.8m of paper after selling DM177.6m on Tuesday.

ZURICH ended weaker but off its lows. Concern that a declining dollar would hit leading Swiss shares kept most investors on the sidelines.

The Credit Suisse index dipped 2.5 to 446.3 and the all-share Swiss index was off 8.1 at 808.4.

In lower banks, UBS shed SFr30 to SFr3,550 and Swiss Bank Corp eased SFr4 to SFr337.

Nestle gained SFr100 to SFr8,100, gaining ground on its good interim results.

London

ANXIETY that the White House and Congress may fail to agree on budget deficit cuts before the midnight Gramm-Rudman deadline depressed equities. The FT-SE 100 index closed down 24.6 at 1,693.1.

AMSTERDAM edged downwards, depressed by the lower trend on Wall Street and little progress in the US budget deficit talks.

The ANP-CBS index shed 3.2 to 218.2 as blue chips trailed in the wake of a lower dollar. The broad-based CBS index lost 1.7 to 67.7

Royal Dutch fell Fl 3.30 to Fl202.70, Unilever ended Fl 2.40 lower at Fl 104.20 and .

Insurer Stad Rotterdam moved higher, adding Fl 1.00 to Fl 98.00 after announcing an 8 per cent rise in profits.

PARIS saw moderate losses as blue chips tracked the dollar lower. The CAC index was down 7 at 292.7in lacklustre trading.

Industrial blue chips suffered some losses due to profit-taking. Peugeot fell FFr52 to FFr983 and Michelin followed with a FFr6 drop to FFr209.50. Valeo fell FFr31 to FFr418.

In broadly lower food and drinks stocks, Source Perrier eased FFr6 to FFr585 and Pernod-Ricard slipped FFr27 to FFr737.

BRUSSELS turned lower in hesitant, thin trading as investors continued to await developments from Washington.

The Belgian cash market index shed 17 to 3,901.70 in the lowest volume for months. Most price movements were within a narrow range.

Holdings were mixed. Reserve and *GBL lost BFr5 each to* BFr2,400 and BFr2,680 respectively. Sofina added BFr70 to BFr9,720 but Tractebel fell BFr100 to BFr5,700.

Petrofina plunged BFr190 to BFr9,610 as the market in oil stocks turned *nervous* before the forthcoming OPEC meeting.

STOCKHOLM prices tumbled in light trading as investors took a gloomy view of the likely outcome of US budget talks.

The Affaersvaerlden general *index dropped 23.9 to 674.5.*Blue chips were generally down with Volvo falling SK6 to SK278.

OSLO slid lower as the top shares declined, taking the all-share index down 7.83 to 269.64.

The weaker dollar and lower crude spot prices put pressure on Norway's North Sea oil earnings and depressed the market.

Norsk Hydro shed NKr7.5 to close at NKr144.5, followed by Saga Petroleum's NKr2.5 loss to NKr90.5.

MILAN ended official dealings little changed, though prices moved lower in unofficial after-hours business.

The Milan stock index was unchanged at 711

Montedison rose L15 to L1,548 but fell back to L1,505 in post-close trading. Olivetti declined L94 to L7,499 and Fiat fell L15 to L8,640.

MADRID slipped quietly lower with modest declines in all sectors taking the general index down 2.27 to 217.87

Construction issues continued to post the largest falls, adding to their losses of previous days.

HELSINKI eased in very thin turnover as investors remained reticent and mild profit-taking set in. The Unitas all-share index shed 3.9 to 576.7.

ASIA

Nikkei dips on delay in US budget accord

Tokyo

THE DELAY in reaching an accord on the US budget fanned concern about the dollar and dampened the optimism of the previous day, causing prices to fluctuate in a narrow range before closing slightly lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average lost 65.69 to 22,668.80. Turnover rose from 554.32m shares to 716.48m. Declines outnumbered advances by 462 to 384, with 151 issues unchanged.

Large-capital steels, shipbuildings and high-technology stocks found early support but later dulled. Institutional and individual investors stayed sidelined pending news from Washington.

Turnover in Kawasaki Steel and Nippon Steel exceeded 100m shares for the first time in several sessions. Kawasaki Steel headed the actives list and advanced Y11 to a high of Y361. It later succumbed to profit-taking and closed Y6 higher at Y356. Nippon Steel was second busiest with 127.33m shares and finished Y2 up at Y436 after registering a Y6 gain. Nippon Kokan added Y7 before closing unchanged at Y345.

Pharmaceuticals, dipped from early strength. Takeda Chemical shed its morning gain of Y80 to end steady at Y3,000. Yamanouchi Pharmaceutical and Sankyo Co. climbed Y80 to Y3,810 and Y20 to Y1,570, respectively.

High-techs slackened as the yen rose against the dollar. Hitachi fell Y40 to Y1,230, Matsushita Electric Industrial added Y20 to Y2,190 and NEC rose Y50 to Y1,960. Fuji Photo Film sagged Y40 to Y3,950.

Sony, which reached a final accord to buy the record division of CBS, touched Y70 at one stage, but closed Y40 lower at Y4,690 on late selling.

Nippon Telegraph and Telephone (NTT) declined Y60,000 to Y2.65m. The second tranche of NTT shares totalling 1.95m was delivered to subscribers. The difference of about Y100,000 between the market value and the selling price of Y2.55m prompted small-lot selling.

On the bond market, the yield on the benchmark 5.1 per cent government bond maturing in June 1996 dropped from Wednesday's 4.880 per cent to 4.770 per cent as dealers of the big four brokerage houses stepped up buying in the morning after the yen's appreciation. But after a series of small vacillations, the yield closed higher at 4.900 per cent.

The Osaka Securities Exchange began on a lively note but the pace slowed down in the afternoon. The OSE stock average posted a minor gain of 31.96 to 23,083.61 and volume jumped by 37.47m shares to 95.29m.

Teijin Seiki climbed Y35 to Y790, Rohm soared Y130 to Y4,030 and Zenitaka lost Y100 to Y1,140.

Singapore

SOFTNESS in other Far Eastern markets depressed Singapore prices amid pessimism that investors would sell strongly into any rally attempt to take profits. The Straits Times industrial index closed 8.23 off at 823.43.

Blue chips fell in quiet selling in the absence of institutional buyers. Among the bigger losses, Metro was 25 cents down at S$5.85, Singapore Press off 10 *cents at S$6.85* and Singapore Airlines 5 cents lower at S$9.30. DBS led banks down with a 15 cent drop to S$9, with Malayan Banking 14 cents lower at S$4.02.

Hong kong

A FIRM opening gave way to listless trading as US budget talks continued to weigh on the Hong Kong market, leaving prices modestly lower. The Hang Seng index closed 14.87 down at 1,479.08.

Properties gave way as speculation over a possible bid for Hongkong Land dissipated. It *lost 10 cents to HK$7.95 and its* parent Jardine Strategic Holdings fell 30 cents to HK$7.10. Jardine Matheson was also 30 cents off at HK$10.60.

Australia

LACKING clear signals from overseas markets, Sydney share prices were little changed in very quiet trade. The All Ordinaries index edged 0.3 lower to 1,284.1 in trade of 88.61m shares.

SOUTH AFRICA

SLOW trading left prices barely changed in Johannesburg as institutional investors appeared to close down dealings early for this year's summer holiday.

A slightly higher bullion price helped most golds to firm but otherwise the market continued listless with many stocks trading only once in the morning.

Vaal Reefs added R3 to R311 and Elsburg 25 cents to R11, while Randfontein dropped R2 to R302. Mining financials mirrored golds with Anglos up R1.25 at R59.75, but in diamonds De Beers dropped 50 cents to R28.75

David Gardner in Mexico examines a dramatic change in fortunes

Peso plunge prompts run to stocks

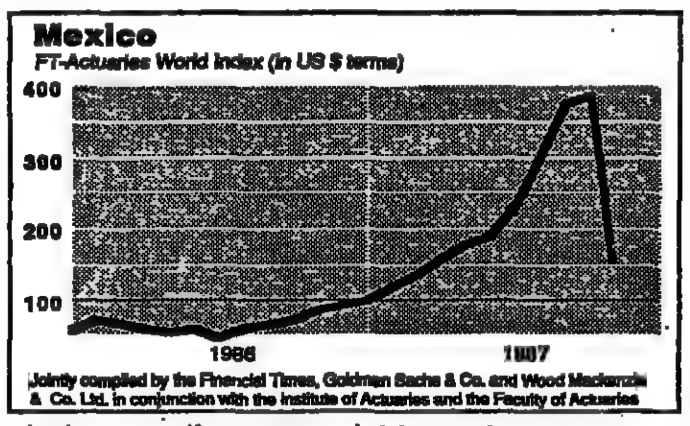
THE PANIC over the Mexican peso on Wednesday gave the Mexico City stock exchange by far the highest rise of its volatile life - 26.6 per cent.

The Bank of Mexico's withdrawal from the free market for the peso against the dollar, the market used for non-merchandise trade transactions, drove the currency down by as much as 45 per cent, setting off a stampede into assets. These were to be had in the stock market in record volumes and at bargain prices.

Brokers recognised that it was the devaluation fears which gave the market its initial upward impulse, but argued that shares were "an absolute give-away" and that it was in any case only a matter of time before experienced investors started buying again.

When the market opened on Wednesday, it was down 76 per cent on the index's 387,000 high, reached at midday on October 5, when trading was suspended amid the wave of investor euphoria which greeted the choice of Mr Carlkos Salinas de Gortari, planning minister, to succeed President Miguel de la Madrid.

Financial stocks, in grossly over-valued nationalised banks and private brokerages, then led what became a uniform retreat.



Jointly compiled by the Financial Times, Goldman Sachs & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Banamex, the leading bank, which in this year's raging bull market had acquired a valuation of $3bn - on a par with Chase Manhattan - and Operadora de Bolsa, the largest brokerage house which the market at its height valued at $2.3bn - more than Morgan Stanley. Each fell by around 90 per cent.

The Bank had benefited from the privatisation of 34 per cent of its equity this year at vast discounts. Banamex shares for instance, issued on February 6, rose 3,200 per cent at their height, nearly five times the market index, which was expanded from 42 to 49 stocks in July to include the Bank.

Until then the market had risen more or less in line with international bourses during the first half of this year. But in the third quarter it rose in dollar terms more than any other market for the year as a whole.

The brokerages, for their part, were the main beneficiaries of the market's rise - four of them became valued at over $1bn - and they thus also became the main casualties of its fall. The pricking of the financial stock bubble pulled down the market as a whole, and last week's failure by the financial authorities to organise a "lifeboat" for the shakier brokerages appeared at one stage to be pushing the market towards vanishing point. This, in turn, made shares in Mexico's most blue chip companies unparalleled bargains.

Unsurprisingly, therefore, it is companies like Penoles, the world's largest private silver producer and a major dollar earner, which are now leading the revival. Penoles shares rose 63 per cent on Wednesday, pulling with them other leading mining stocks, most of which rose over 50 per cent. Mining stocks continued to lead the rally in early trading yesterday.

In the climate created by the fall of the free market peso, even cautious analysts expect the stock market to rebound further, perhaps settling around 200,000. It opened yesterday at 120,874.

One broker thought yesterday that if Mexico had had the biggest boom of the year, followed by the biggest crash, then perhaps it would also see the most significant recovery. (*note: chart based on FT-World Actuaries index figures calculated from Tuesday's closing prices.*)

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

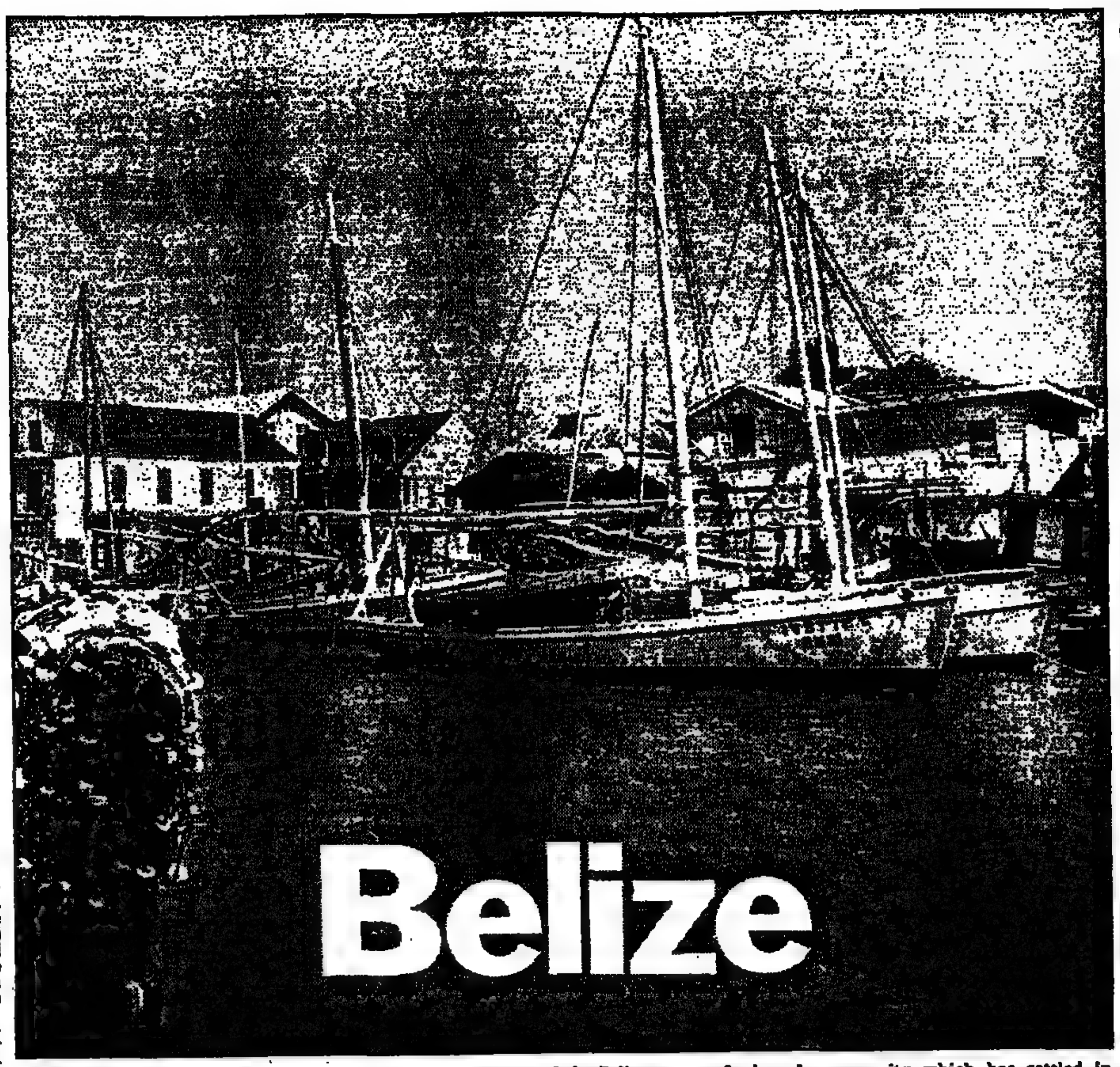
NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 19 1987					WEDNESDAY NOVEMBER 18 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	97.78	−0.4	81.42	93.69	4.36	98.15	82.19	93.88	180.81	85.80	88.20
Austria (16)	92.26	−0.3	76.82	80.60	2.58	92.52	77.48	81.00	102.87	85.53	93.85
Belgium (48)	103.28	+0.5	86.00	89.78	5.22	102.77	86.05	90.48	134.89	96.19	92.25
Canada (127)	100.76	−1.2	83.90	95.65	3.22	101.93	85.36	97.10	141.78	98.15	98.10
Denmark (38)	108.75	−0.5	90.55	95.84	3.08	109.28	91.51	96.57	124.83	98.18	94.75
France (120)	84.14	−1.3	70.06	75.20	3.63	85.25	71.39	76.46	121.82	77.39	94.12
West Germany (93)	75.66	+0.3	63.00	66.08	2.87	75.47	63.20	66.19	104.93	68.91	93.31
Hong Kong (46)	87.09	−1.0	72.52	87.09	5.62	87.99	73.68	88.06	158.68	75.82	87.49
Ireland (14)	101.35	−2.0	84.39	90.44	5.00	103.47	86.64	92.42	160.22	96.20	88.69
Italy (94)	77.04	+0.3	64.15	71.11	2.68	76.84	64.34	71.10	112.11	72.04	96.72
Japan (457)	137.31	−0.2	114.34	117.30	0.58	137.56	115.19	117.78	161.28	100.00	88.28
Malaysia (36)	103.87	−0.2	86.49	99.81	3.63	104.04	87.12	100.33	193.64	98.24	100.97
Mexico (14)	149.21	−0.6	124.25	328.32	1.07	150.10	125.69	282.51	422.59	99.72	91.42
Netherland (37)	97.06	−1.5	80.82	83.77	5.35	98.55	82.52	85.40	131.41	87.70	95.92
New Zealand (23)	77.85	+0.1	64.83	66.80	4.69	77.78	65.13	66.53	138.99	75.99	93.17
Norway (24)	107.38	−3.8	89.41	93.53	2.91	111.64	93.49	97.70	185.01	96.03	109.04
Singapore (27)	98.95	−0.4	82.39	92.59	2.57	99.34	83.18	93.57	174.28	90.19	100.85
South Africa (61)	126.02	+1.6	104.93	88.16	4.80	124.04	103.87	88.19	198.09	100.00	99.23
Spain (43)	118.95	−2.1	99.04	102.23	4.01	121.54	101.78	104.55	168.81	100.00	86.76
Sweden (34)	97.42	−3.2	81.12	87.54	2.61	100.68	84.31	90.58	136.64	88.50	100.91
Switzerland (53)	81.28	−0.4	67.68	69.39	2.39	81.63	68.35	69.96	111.11	73.65	92.64
United Kingdom (332)	118.71	−0.9	98.85	98.85	4.61	119.78	100.30	100.30	162.87	99.65	91.94
USA (582)	97.98	−2.2	81.59	97.98	3.76	100.15	83.86	100.15	137.42	92.83	98.66
Europe (946)	97.74	−0.7	81.39	83.94	3.98	98.48	82.46	84.96	130.02	92.25	93.25
Pacific Basin (678)	133.86	−0.2	111.46	115.26	0.80	134.13	112.32	115.74	158.77	100.00	88.35
Euro-Pacific (1624)	119.45	−0.4	99.46	102.77	1.84	119.90	100.40	103.46	143.65	100.00	90.29
North America (709)	98.13	−2.1	81.71	97.87	3.73	100.24	83.94	100.00	137.55	93.20	98.63
Europe Ex. UK (614)	84.74	−0.6	70.56	74.68	3.42	85.26	71.39	75.42	111.97	78.89	93.73
Pacific Ex. Japan (221)	92.21	−0.5	76.78	88.75	4.68	92.71	77.64	89.21	164.03	83.17	88.42
World Ex. US (1826)	118.89	−0.4	98.99	102.53	1.92	119.34	99.94	103.22	143.38	100.00	90.66
World Ex. UK (2076)	110.02	−1.0	91.61	101.28	2.32	111.14	93.07	102.47	138.82	100.00	93.96
World Ex. So. Af. (2347)	110.68	−1.0	92.16	101.08	2.53	111.82	93.63	102.30	139.47	100.00	93.73
World Ex. Japan (1951)	98.08	−1.5	81.67	92.69	3.86	99.61	83.41	94.30	134.22	95.64	96.41
The World Index (2408)	110.78	−1.0	92.25	101.01	2.54	111.90	93.70	102.23	139.73	100.00	93.77

Base values: Dec 31, 1986 = 100

SECTION IV

FINANCIAL TIMES SURVEY

Though part of Central America, Belize has a much closer affinity to the English-speaking Caribbean. The Government is tackling the country's economic problems and there has been a modest shift in the difficult relations with neighbouring Guatemala. Patrick Blum reports.



An eye on elections

AFTER ALMOST three years in power the United Democratic Party administration of Mr Manuel Esquivel is quietly taking stock of what it has achieved.

And it is wondering whether, come the next general elections in 1989, it will be as successful as in 1984 when it roundly defeated Mr George Price and his People's United Party.

That victory was all the more striking since it put an end to Mr Price's almost 25 years of rule by giving the UDP 21 out of the 28 seats in the House of representatives. It was a serious and unexpected blow to the PUP, which has since been trying to recover the lost ground.

This is made all the more difficult by the absence of clear-cut issues that openly divide the two parties. Both have more in common than they care to admit.

Disputes are as much, if not more, about personalities and style as they are about ideology, and on the key issues facing the country the two parties share uncommonly close views.

That is especially true with regard to Britain's military presence. The small contingent of fewer than 2,000 British troops stationed in the country is a crucial guarantee of Belize's integrity in the face of territorial claims by Guatemala.

The new civilian administration in Guatemala has taken a more conciliatory stand over the dispute although direct talks between the two sides in Miami last spring failed to resolve the dispute. But there has been an improvement in the climate between the two countries.

However, the longstanding dispute with Guatemala is unlikely to be resolved without some recognition of Belize's right to exist as a sovereign state. Until that happens, no one in Belize is likely to ask for the removal of the British forces: the small Belize Defence Force would easily be overwhelmed by Guatemala's superior military might.

The removal of the British presence would almost inevitably have a destabilising influence not only for Belize but for the region as well by encouraging incursions from Guatemalan guerrillas operating near its borders and pursuit by Guatemalan troops.

At the moment the presence of British troops acts as a deterrent, preventing Belize from being used as a base for the guerrillas, a fact that is not lost on the Guatemalan military.

In the event of a British withdrawal Belize would in all likelihood be drawn rapidly into the Central American conflict and its peace shattered. Under the circumstances it is no surprise if Belizean politicians of all shades watch eagerly for any sign of a lessening of the British commitment.

"We certainly hope that (the commitment) will remain firm and that the present British government would not do anything to complicate the Central American issue," Mr Esquivel says.

Belize's position is strangely anachronistic. It is part of Central America, yet for historical reasons it looks much more to the English-speaking Caribbean with which it feels a closer affinity. Its population is predominantly - about half - Creole of mixed African descent and ranging from pale skin to black.

About 17 per cent are Indians, mostly Mayas, and 10 per cent Black Caribs - descendants of populations deported from St Vincent in the late 18th century. And there is a growing group of Hispanics whose numbers have been swelled by an influx of immigrant workers from neighbouring states and who are increasingly opting to stay in Belize where they can find work, shelter and a respite from civil war.

At least 2,000 Salvadorean refugees are estimated to have settled in Belize since the civil war started, but there is also a large number of Guatemalans, Hondurans and Mexicans.

Many Mexicans also shop in the border towns although their numbers have declined because of the fall in the Peso.

Belize's official language is English but Spanish is more often heard and spoken in the banana and citrus plantations of the south. Statistics are unreliable but it is thought that in the past few years some 30,000 immigrants have come to work in Belize, many of whom have settled permanently.

This is a considerable influx of people for a country with a population of just over 170,000.

Most immigrants appear to take up jobs on the land, an occupation not favoured by the majority of Belizeans who live mainly in the towns. Mr Barry Bowen, a leading Belizean businessman, says that another 30,000 immigrants may be neeeded in the next few years if the plans to develop agriculture really take off.

This influx of Spanish-speaking immigrants is slowly changing Belize and there are fears that in the long run it may lead to racial tensions although at the moment there seems to be remarkably little friction between the various groups.

Another small but economically important group is the German-speaking Mennonite community which has settled in Belize during the past 30 or so years. The Mennonites live in highly-organised communities mostly in the West and North of the country.

There are about five main communities mostly run on cooperative lines with a total population of 15,000 to 20,000. They are involved in farming, providing much of Belize's food produce, shipbuilding, masonry, and furniture.

They are a cohesive and hard-working group and have earned the respect of the local population.

The country's development remains patchy and there are still vast areas of land that remain uncultivated and with poor or no communications. To remedy this situation the Government has set four major priority areas for development and modernisation: agriculture, tourism, fishing and light manufacturing.

Agriculture, which already provides the bulk of Belize's exports, is the most important of the four. "We have an enormous potential that we can develop. No one is self-sufficient in food in the Caribbean. We could supply this market at very good prices as well as profitably," Mr Bowen says.

The most striking recent development has been in the banana industry, which has grown rapidly pace since it was privatised shortly after Mr Esquivel took office. Sugar remains the main export but its importance is set to decline as diversification into other crops and animal farming becomes more extensive.

The Government is also eager to encourage tourism although it recognises that there are limitations imposed by the low level of infrastructure. Consequently it has embarked on several projects to improve communications, transport and facilities and it has a programme to modernise existing hotels.

Many of these plans depend on finance which cannot be provided by Belize alone. Belize is still a poor country and because of its limited resources and low level of development it has to rely to a large extent on external funds in the form of loans and development aid.

Access to funds is absolutely crucial for the country and its future development. That is why the Government is so keen to show that it is doing its best to keep the economy growing, to keep inflation - now at about 2 per cent - under control, and to bring down the budget deficit.

It is hoped that, within two years, current government spending and revenues will be balanced although there will still be a deficit caused by the need to finance capital expenditure for development.

Two big worries are the growth in the external debt and the rising trade deficit. Under the Government's austerity policy imports fell back but they have increased strongly again this year. So the only long-term solution to the trade deficit is for the country to push up its exports.

That, in turn, depends on maintaining a relatively high level of investment, but as investment grows - which is likely in the forthcoming years - the demand for imports of machinery, fertilisers and other necessary products will also rise and a solution is still a long way off.

There are hopes that oil may be found on the mainland or offshore. At different times several companies have searched for oil but so far unsuccessfully, it seems, and exploration has temporarily stopped although licences have been issued. The rise in oil prices is expected to encourage renewed activity.

The Government offers a number of incentives to foreign investors and officials say that there has been growing interest in Belize in recent years.

Nevertheless, large scale investments are relatively rare and that is why Coca-Cola's recent decision to shelve a $120m planned investment to develop a large citrus plantation in Belize was a blow.

The Government's own assessment of its first three years in office is mixed. There is evident optimism and there have been some undeniable successes, but officials recognise that progress has been slower than expected and that there is still a long way to go.

The privatisation of the banana industry has been successful and further privatisations are planned including selling off part of the telecommunications monopoly. Several new development projects are under way or about to start.

Belizeans have a nonchalant approach to life and while some of the Government's policies may have been unpopular there are no signs of unrest. Strikes are few or non-existent but unemployment remains a problem.

Growth is picking up and Mr Esquivel is confident that the policies will work.

Patrick Blum is editor of the Financial Times Latin American Markets newsletter

CONTENTS

Basic facts

Population: 171,000	
Of which:	
Belize City	50,000
Aged under 15	44.8%
Languages:	English, Spanish and several dialects
Capital:	Belmopan
Land area:	22,960 sq km
Gross Domestic Product:	[illegible]
Inflation (1986):	0.86%
(1987 est):	2.00%
Currency:	Belize $ (US$1 BZ2)

Limited resources make the Government's task a difficult one

Economy in slow recovery

THE ECONOMY is slowly recovering after two years of slow growth, but a negative trade balance, limited resources and scarce finances for investment continue to make the Government's task a difficult one.

Manuel Esquivel: even more cautious

The budget deficit is being reduced and recent efforts to cut back on public expenditure seem to be bearing fruit.

Growth has resumed with the annual growth rate rising from about 0.5 per cent in 1985 to 1.5 per cent in 1986 and an expected 3.4 per cent for the current financial year, according to the latest Finance Ministry estimates.

Belize's small size and the limited development of its resources are both a hindrance and a help. The industrial base is tiny and the infrastructure is still underdeveloped.

Agriculture remains the main source of foreign exchange revenues, which depend on the exports of a few commodities that have proved vulnerable to international fluctuations in world prices or to import restrictions in major markets.

On the plus side, the size of the country's economy and its small population of about 170,000 simplify economic management.

Successive governments have tended to be cautious, thereby helping to underpin confidence and guarantee a steady flow of vital financial asssistance from multilateral agencies and governments.

The government of Mr Manuel Esquivel, brought to power by the victory of the United Democratic Party (UDP) in general elections in December 1984, has not deviated from these principles. Mr Esquivel himself likes to stress that his administration is perhaps even more cautious in its approach to economic management putting a greater emphasis on efficiency, private enterprise and open government.

He says that he inherited a number of problems from the previous administration including having to meet tough new commitments under an International Monetary Fund (IMF) programme negotiated by the outgoing government. He introduced an austerity policy aimed at cutting back imports and reducing government expenditure.

The Government was also faced with having to pay some $12m in debt arrears as well as having to service a growing debt.

Belize's total foreign debt has been rising rapidly. From $71m in 1985 it stood at $107.7m at the end of December 1986 and remains close to that figure now. This includes $81.7m government debt, $6.8m government guaranteed debt and $20.2m public sector debt. The remainder is owed by the private sector.

Servicing the debt has placed a growing burden on government finances. Debt servicing is expected to reach BZ32.5m ($16.25m) for 1987-88 and rise to BZ35m ($17.5m) in the following financial year.

The ratio of debt servicing to exports has reached 5.7 per cent and is expected to increase to 6.7 per cent for the 1987-88 financial year. In relation to government revenues the debt servicing ratio now stands at 21.5 per cent and is set to rise to about 25 per cent in the next financial year.

Debt

(At end December 1986 in US$m)

Total external debt including IMF	107.7
Total external debt without IMF	97.7
Of which:	
Government	71.7
Government with IMF	81.7
Government guaranteed	6.8
Public sector	20.2

Source: Finance Ministry

Imports and exports

(BZm)

Total	1985	1986	1987*	Per cent change
			(First three quarters)	
Gross imports	245	161.2	193.9	+6.9
Retained imports	202.9	151.6	158.4	-22.9
Domestic exports	145.9	114.1	145.6	+27.6
Trade Balance	-58.9	-37.5	-40.8	

*estimates

Source: Finance Ministry

The Belize budget

(BZm)

	Revised Budget 1987-88	Suggested Budget 1988-89
Current revenue	121	125
Current expenditure	130	129
Current balance	-9	-4
Of which current expenditure:		
Debt service	33	34.5
Pensions	5	5.5
Ministries allocation	92	89

Source: Finance Ministry

The Government has sought to keep its own borrowing requirements down by cutting back on expenditure with savings falling heavily on the social services and welfare, although in the forthcoming budget all departments have been given a ceiling within which they must work.

The total budget deficit for 1987-88 is expected to be BZ40m including a BZ9m deficit on the current account from revenues of BZ121m and expenditure of BZ130m and after additional income of BZ5m on capital and expenditure of BZ36m for development.

The Government's financing requirements will be divided into two main sources: BZ12m from domestic sources and BZ28m from external sources, a good proportion of which will come in the form of multilateral and official aid.

Mr Keith Arnold, Acting Financial Secretary, says that the Government is anxious to eliminate the current budget deficit in the course of the next two financial years.

For 1988-89, current revenue is expected to rise only marginally, to BZ125m, and a current deficit target of BZ4m has been set. It is hoped that the current budget will be balanced in 1989-90 although a deficit will remain because of the need to finance various development projects.

Because of its limited resources, the Government relies heavily on external financial assistance. Capital expenditure is financed mainly through economic cooperation programmes and through loans from the Caribbean Development Bank.

Under President Reagan's Caribbean Basin Initiative (CBI) Belize has received about $10m to help private and public sector projects and promotion.

The US and Britain are the main providers of assistance with some smaller amounts coming from the European Community and Canada. In 1986 Britain provided loans worth $4m and grants of $1.3m and the US loans of $4.8m and grants of $1.8m.

This year the total amount was slightly lower with $3.5m and $1.5m coming in loans and grants respectively from Britain and $4.5m and $2m in loans and grants from the US. These provide a lifeline to Belize's economy helping to sustain many crucial development projects.

Interest rates are high with the prime rate standing at 12 per cent. This has encouraged savings but it has acted as a disincentive for investment.

The banks currently have an excess of liquidity which the Government would like to see put into productive investment and it is considering reducing interest rates next year.

But the banks remain sceptical about the Government's intentions. "The Government is frightened that if it brings down interest rates it will lead to an increase in private borrowing, and fuel consumption and imports," one banker says.

The trade deficit is another pressing problem. Belize is almost entirely dependent on its agricultural exports but these are vulnerable to movements in prices outside the country.

The collapse of sugar prices in 1982 was a severe blow and earnings from sugar have declined considerably since. Diversification of agriculture into new crops, fisheries and animal farming has accelerated with some successes, but sugar still accounts for about half of all export revenues and it is likely to continue playing a dominant role in the economy for some time.

Agriculture, forestry and fisheries provide about 65 per cent of the country's total foreign exchange earnings, but there is still a large potential for further development.

While over 800,000 hectares of land, representing 38 per cent of Belize's territory, are considered potentially suitable for agricultural use, only 10-15 per cent are used in any one year with about half of this under pasture and the rest used for various crops.

The traditional system of *milpa* (shifting cultivation) with the annual clearing of new land is still widely followed, although an increasing number of farmers are settling more permanently on cleared lands. The Government is eager to encourage the use of more modern machinery and fertilisers to help raise efficiency and there has been some progress in this area.

Apart from the processing of agricultural products and wood, the manufacturing sector is small, producing a relatively limited range of light industrial and consumer goods. The garment industry is the most important industry with exports valued at $18.3m in 1986 and expected to be $19.4m this year.

Tourism has picked up but it is still only a relatively new industry limited by an as yet underdeveloped infrastructure although the Government is making a big push to encourage its development.

The Government is keen to attract foreign investors and it provides considerable incentives, especially for export-oriented investments.

The banana industry, which was taken over in the late 1970s to prevent its collapse, has been handed back to the private sector with the Banana Control Board remaining only as a quasi-government regulatory body.

The telephone industry is also due to be partly sold off to private investors although the Government will retain a majority share in a new company being established as the vehicle for privatisation. A few companies have also been closed down for economic reasons.

Not everyone in Belize approves of these moves. Some of the Government's critics in the business community say that the privatisation programme is half-hearted and that there are still too many controls over the economy.

The opposition People's United Party disapproves on the grounds that the social costs are too high and that the Government's policies are fuelling unemployment.

There are no reliable figures for unemployment, which is put at about 15 per cent of the workforce in the towns where it is more of a problem than in the countryside. Here the shortage of labour in some parts has led to a rapid growth in the number of immigrant workers from neighbouring states, mainly Guatemala, El Salvador and Honduras.

Mr Esquivel brushes aside the criticisms although he admits that unemployment is a serious problem which the Government will have to tackle.

Foreign policy

Tensions with Guatemala ease

THE MOST important foreign policy issue for Belize remains its touchy relationship with Guatemala, which has not abandoned its claim to parts, if no longer the whole, of Belizean territory.

As a result there is unanimous support for the British military presence in the country as a guarantee of its territorial integrity. From Mr Esquivel, the Prime Minister, to Mr George Price, the leader of the opposition People's United Party (PUP), and including the more radical fringe, no one wants to see Britain pull out, at least not for the foreseeable future.

The British forces are a "containing factor," Mr Esquivel says. The threat from Guatemala is less pressing these days but Belizeans remain cautious about political developments that could suddenly make the threat a much more immediate one.

The coming to power in 1986 of a civilian administration in Guatemala after almost 30 years of military rule has done much to help ease the tensions. Mr Vinicio Cerezo, Guatemala's President, has proved more accomodating and a good deal more conciliatory in his statements over the dispute with Belize than his military predecessors.

In Belize itself, however, there is still a fear that military hardliners could make it difficult if not impossible for Mr Cerezo to make any lasting concessions to permanently resolve the conflict between the two countries.

Guatemala's claim to Belize's territory dates back to the Anglo-Guatemalan treaty of 1859 which delineated Belize's frontiers, and which committed Britain to building a road from Belize City to Guatemala City.

The road was never built and successive Guatemalan governments have argued that this made the treaty invalid. Several attempts have been made to compensate Guatemala with financial assistance or through joint schemes of economic development but no agreement was ever reached.

Until quite recently Guatemala's claim was for the whole of Belize which was described in its constitution as an integral part of its territory. Guatemalan maps still show no border between the two countries.

Changes in Guatemala's constitution now allow Mr Cerezo's administration to negotiate a settlement which would eventually be put to a referendum. The Guatemalan claim has since been scaled down to demanding the Toledo district in the south which represents about one fifth of Belize's territory.

This now appears to have been further reduced to a demand for a portion of land guaranteeing access to the Caribbean sea. This has been rejected by the Belize government.

Mr Dean Barrow, the Foreign Affairs Minister, says that Guatemala must recognise Belize's right to exist as a separate independent sovereign state. "They have to withdraw their claim," he says. Recognition could be tacit but it is indispensable if there is to be a negotiated solution to the dispute.

The climate between the two countries has clearly improved since Mr Cerezo came to power. Talks between representatives of the two countries took place in Miami last April, the first discussions since the return of constitutional democracy in Guatemala.

These remained inconclusive and officials in Belize were disappointed by the hard line stance taken by the Guatemalan Foreign Minister at the talks, but they were seen as a small step forward in attempts to normalise relations between the two countries. "The attitude has been far less hostile... There is a definite improvement at that level but in reality there is no change," Mr Barrow says.

Changes in Guatemala's constitution allow the administration to negotiate a settlement

The two sides left with a promise to meet again within six months and another meeting is expected before the end of the year.

Mr Barrow says that Belize could consider some form of access to the sea for Guatemala although this would also require the agreement of Honduras, but Guatemala is demanding more than simply access insisting on land concessions, he says.

He believes that the best that can be hoped for in the short term would be piecemeal agreements which could lead eventually to a permanent settlement. He would like to see economic cooperation agreements with work on joint projects - possibly with British or European Community backing - and parliamentary exchanges to help to break down barriers.

But until the dispute is definitely resolved Belize would like to see the British presence maintained.

There has been periodic concern in Belize about the strength of the British commitment. Maintaining a small contingent of British army, navy and air force personnel in Belize is estimated to cost Britain about $30m a year, and some in London have suggested that the money could be better spent elsewhere.

But if the troops were pulled out and redeployed elsewhere, say in West Germany, the saving made would only be small.

Against this, Belize gives the British armed forces an opportunity to train in unusual terrain. Life in Belize is more relaxed and it remains one of the few "exotic" outposts for the British forces.

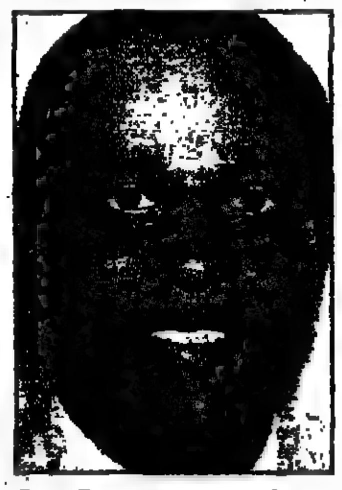
Many soldiers, usually on six-month tours, find Belize a welcome relief after service in Belfast or West Germany. "They say join the Army and see the world but there aren't that many places left where we can go," is a typical comment.

Belize also benefits economically from the presence of close to 2,000 British personnel and Britain's withdrawal would be seriously felt in the country.

The prime consideration nevertheless remains Belize's defence. Its own few hundred-strong Belize Defence Force is small and it would be easily overwhelmed by Guatemalan troops. Short of a negotiated settlement the only other alternatives are for the US to step in and take over Britain's role or for the establishment of an independent multi-national force, neither of which are considered viable propositions.

The US presence in Belize has grown considerably in recent years but it is primarily an economic one. Belize receives help under President Reagan's Caribbean Basin Initiative and is a recipient of US aid. The amounts are small by international standards but they are a vital lifeline for Belize.

The US has also helped the Belizean government in the fight against drugs trafficking. There are numerous illegal plantations of marijuana spread accross the country's hinterland and the authrities have redoubled their efforts to eradicate the plantations by spraying with technical assistance and an aircraft provided by the US.



Dean Barrow: right to exist

Because of the tighter controls over sea routes into the US, much of the drugs entering the country now comes overland and by air and this has made Belize a transit point for the drugs trade out of South America. Drops are made on small improvised airstrips and along roads which the Government has had lined with steel posts to clip the wings of aircraft that land.

The campaign has had some success and the acreage of marijuana under cultivation has been reduced to about a quarter of its size, Mr Esquivel says.

The US presence is not uncontroversial. Mr George Price, the leader of the opposition People's United Party, says that the government has switched foreign policy away from non-alignment and more markedly towards the West.

Belize looks more to the Caribbean than to its Central American neighbours. This is despite a growing Hispanic population which is expanding rapidly as a result of the influx of some 30,000 immigrant workers mainly from Guatemala, El Salvador and Honduras.

"We feel a greater kinship with the Anglophone Caribbean," Mr Barrow says.

This leaves Belize relatively isolated in the Central American region. It has not been involved in the successive peace efforts for the region and although it is keen to develop closer links with its neighbours, it does not want to get sucked into the local conflicts.

This is a major fear in the case of the withdrawal of British troops. Officials in Belmopan, the capital, believe that for all its rethoric Guatemala feels more comfortable with the British presence which guarantees that Guatemalan guerrillas will not use Belize as a safe-haven or a staging post for raids back in the country.

The US, for its part, is happier with the present situation. US forces would attract opposition. A strong US military presence could easily be destabilising, add to tensions in the region and possibly draw Belize into the Central American conflict.

There is a range of incentives for private enterprise

Investment encouraged to boost exports

THE BELIZE economy is based primarily on agriculture but to ensure long-term development the government of Mr Esquivel has embarked on numerous projects to diversify economic activity, reduce dependence on too few foreign currency earners, and to improve the country's infrastructure.

The latter is seen as a key to future prosperity and as an important element to improve the lot of Belizeans.

Lacking in financial resources, Belize must depend to a large extent on external assistance and foreign investment for any major project. Several of these are now under way or about to be given the go ahead.

The Ministry for Economic Development plays a crucial role in channelling foreign investment and assistance into the economy. Ms Yvonne Hyde, Permanent Secretary at the Ministry, says that after just over two years in power, the Government

Lacking in financial resources, Belize must depend to a large extent on external assistance and foreign investment to carry out any major project

is currently assessing what has been achieved so far and what remains to be done.

She believes that while the pace has been slow, the Government can claim some important results. Investment is still low but it is likely to pick up during the next two years and in time for the next general elections due by December 1989.

There are a number of major new projects including several in agriculture. The Government has identified projects to the value of about $7.5m for the development of cultivation of bananas, cocoa, citrus, shrimp farming and livestock.

Infrastructure projects include modernising and developing Belize's international airport at a cost of about £2.5m. The Hummingbird Highway, designed by a French consultancy company, is being partly resurfaced and five bridges are being rebuilt.

The Government is still seeking financing for this project but it is eager to go ahead with it to improve inland communications.

A new 100-bed hospital is to be built in Belize with the help of financing from the European Community of Ecu10m. The current hospital is too near the sea shore and vulnerable to hurricanes. The new hospital will fit in with the Government's desire to expand and provide more modern health facilities with an emphasis on primary health care.

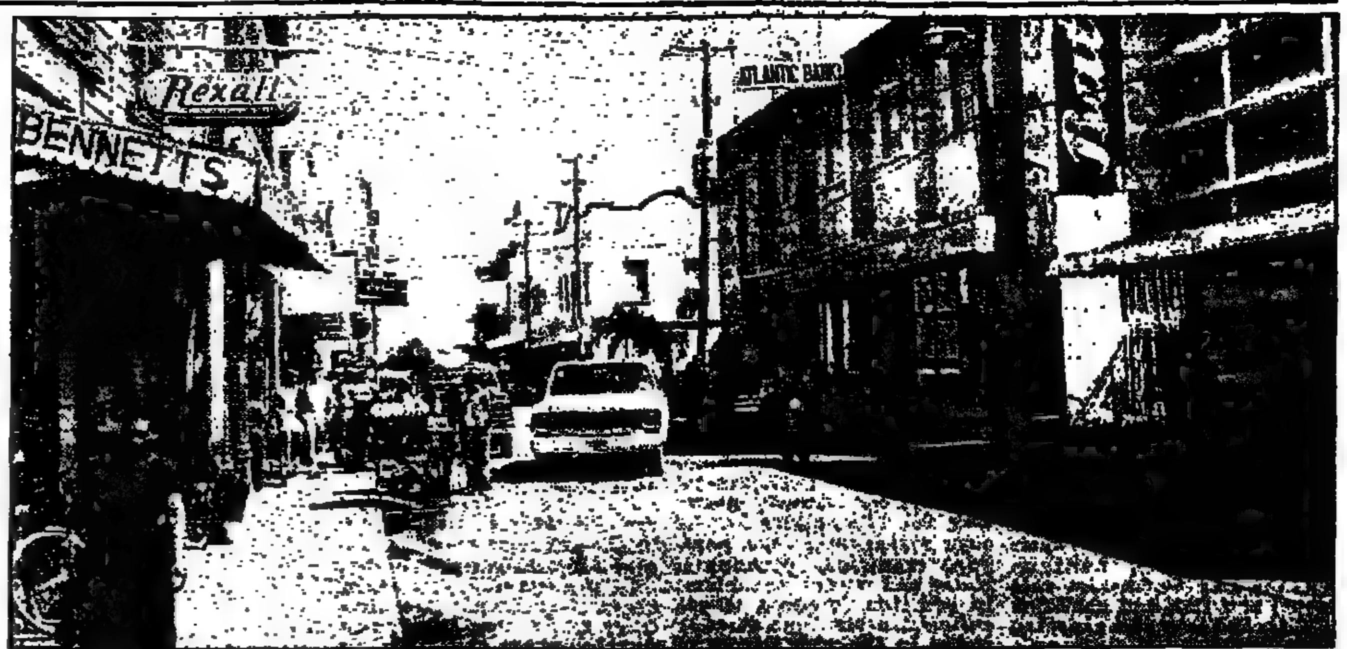
Britain's Overseas Development Administration is financing a forestry management study for the Pine Ridge region, south of Belmopan. The Government would like to see a broader range of woods produced and there are plans to expand pine softwood processing to build up exports of furniture rather than just timber as is mainly the case now.

Belize has many assets which cry out for development, Ms Hyde says, including a government which firmly believes in the values of private investment.

As part of its efforts to attract foreign investment the Government has set up a Belize Export and Investment Promotion Unit (Beipu) of the Chamber of Commerce which is a useful contact point for potential investors.

The unit was established in 1985 but it has been fully operational with its own small staff for only about a year. It is a source of essential information, advice and assistance without which the potential investor can lose much time and possibly make some costly mistakes, says Mr Denton Belisle, its recently-appointed executive director.

It is especially well suited to assist small and medium size investments. Large-scale investments are often channelled directly through the Government, but there is a close working relationship between the Chamber and the ministries - Ms Hyde who has responsibility for investment in the Cabinet sits on Beipu's board.



Above: Belize City - Belizeans have a nonchalant approach to life though unemployment remains a problem. Below: Children in a village school. Education is complicated by four basic languages: English, Spanish, Carib and Maya.

Investments in Belize tend to be modest by international standards, reflecting the size of the country's economy and market, but the authorities and Mr Esquivel's government are eager to give as much encouragement as possible to private enterprise.

With this in mind the Government provides a range of incentives. These include duty-free import of machinery and raw materials, the possibility of bringing in foreign specialists and skilled workers provided the company agrees also to train Belizeans, tax holidays of up to 15 years and the guaranteed right to repatriate earnings.

Belize also has a stable government with a well-established parliamentary system and a fair judiciary, Mr Belisle says. He could also have added low labour costs and access to markets throughout the Caribbean as well as preferential tariffs for selected imports into the US and the European Community.

Belize is included in the US-inspired Caribbean Basin Initiative (CBI) under which it has received substantial assistance in recent years, and it is a member of Caricom, the Caribbean common market. The Government, for its part, seeks above all to encourage investment that will help to boost exports.

The authorities admit that there are drawbacks. Energy costs, especially for electricity, are high and sending freight out of Belize can be expensive. There is no shortage of unskilled or semi-skilled labour but skilled workers are more difficult to find.

Ms Hyde says that the Government is preparing a special training programme to help remedy this. The only international airport near Belize City is not adequately equipped to handle any volumes of cargo and most freight has to go overland or by sea.

Last but not least, the slow pace of work and the generally relaxed atmosphere which gives the country much of its charm may also irritate those used to a faster business pace.

But for all these drawbacks investors will find a government receptive to new ideas and officials who are more than willing to give assistance.

Areas given priority for investment are agriculture and the food industries, forestry, light industry and tourism.

"More information from the Belize Export and Investment promotion Unit, 7 Cork Street, PO Box 291, Belize City, Belize. Tel: 44913/44138; telex 121 CHAMBER BZ.

Telecommunications

Privatisation the key to greater efficiency

THE GOVERNMENT is set to undertake a major modernisation of the country's telecommunications along with a partial privatisation of the Belize Telecommunications Authority (BTA) in order to improve domestic and international services.

Privatisation is a major plank of the current government's programme to raise efficiency.

Cable and Wireless have ensured the functioning of the telephones services for several years for BTA which was in charge of regulating the service. But the British company's licence is expiring in December and the authorities have decided to establish a new joint venture company, Belize Telecommunications Limited (BTL), to run and improve the network and to provide new services.

"What we are planning to do is what Britain did with British Telecom," says Mr Keith Arnold, the acting Financial Secretary.

This is perhaps overstating the case. BTL will be formed as a shareholding company at the end of this month. It will take over the assets of Cable and Wireless and of the existing telephones authority to start operations in January.

Negotiations with British Telecom are expected to be completed soon and the Government hopes that it will take a 25 per cent stake in the new company. Another 24 per cent is expected to be sold to Belizean investors with the remaining and controlling 51 per cent staying in government hands.

The move is expected to cost the Government about BZ24m with BZ20m going for expanding and modernising the network and about BZ4m going to pay for the purchase of Cable and Wireless's assets.

Mr Esquivel, the Prime Minister, says that the privatisation will make a dramatic difference to the quantity of lines available and to the quality of the service, thereby helping to generate income for the country.

He says that BTA, the existing authority, is one of the best-run government utilities in the country, but that it has accumulated a backlog of some 40,000 demands from subscribers which it has not been able to meet.

Not everyone is convinced. Sceptics say it may prove more difficult than expected to find enough local investors with available cash to buy into the new company and that the Government could have opted instead for a master plan put forward by Cable and Wireless.

This was apparently turned down because the Government wanted to retain majority control, which critics in the private sector say makes nonsense of the Government's claims in favour of privatisation. There is also some unease that the recent stock markets chaos will deter potential shareholders.

In preparation for BTA's privatisation a major contract was awarded earlier this year to Northern Telecom of Canada for the supply its digital DMS-100/200 switching system and related equipment to provide 19,000 lines. The contract is worth $9.3m and is one of the most important public investments the Government has undertaken recently.

The Government is eager to encourage the growth of new crops

Agriculture leads exports

Citrus farm at Stan Creek. The industry's expansion has encouraged a new generation of growers

AGRICULTURE IS the most important activity in Belize, providing employment for almost a third of the labour force and accounting for close to 20 per cent of GDP.

Agricultural products account for the largest part of the country's exports and make a crucial contribution to the trade balance.

Among the main commodities sugar tops the league with exports valued at $29.3m in 1986 (expected to reach over $31m this year), followed by citrus ($12.1m in 1986 and about $13m expected this year), bananas ($3.8m and $4.5m-$5m this year) and fish and shell-fish ($8.6m and over $9m expected this year).

These exports alone amount to about half the country's total exports of $111.7m in 1986. Several other products are also exported including timber and honey.

The Government is eager to encourage the development of new crops both to meet rising domestic needs and to reduce dependence on sugar.

Mr Dean Lindo, the Agriculture Minister, says that diversification will play a crucial role in future developments and that several experimental projects are already under way for the cultivation of soya beans, cucumbers, papayas, mangoes, pineapple, maize and winter vegetables, in addition to cocoa whose cultivation has been steadily rising in the past couple of years, and beef.

Initial results with diversification have been mixed so far owing to unforeseen technical and management problems. There have been difficulties with the cultivation of cucumbers and winter vegetables.

But new land concessions for vegetable production for export have been granted and by 1990 the Government hopes to have some 6,000 acres of land producing exports worth about $7m.

Fishing and shrimp farming are also set to expand rapidly in the next few years as several projects get under way.

Until now the US has taken about 85 per cent of exports from this sector and future developments will aim to build up markets in neighbouring Caribbean countries and in the European Community.

Financing for several projects has already been agreed, including $20m from the World Bank of which $5m will go towards shrimp farming, $2.5m each for cocoa and citrus cultivation and $10m for bananas.

Reafforestation for pine is also under way along with efforts to extend the range of woods produced and to improve logging and sawmilling to boost timber exports. Belize has vast areas of forests and the recent modernisation of the country's largest sawmills is expected to substantially boost production.

Bananas

Big plans for a turnround

After the setbacks caused by natural disasters the industry is now set for growth

IN A 25-MILE radius inland from Mango Creek in the south of the country lies the heart of one of Belize's most dynamic agricultural developments.

This is banana country and acre after acre of land is being farmed, planted and prepared for cultivation to effect a major turn-round in the fortunes of Belize's troubled banana industry.

The plans are ambitious: after numerous attempts and successive setbacks caused by a combination of natural disasters, droughts, hurricanes, diseases and bad management, the banana industry is now set for rapid growth.

Mr Craig Griffith, the cheerful Irish-born manager of the Banana Control Board - a quasi government regulatory body supervising and helping the development of the banana industry - is enthusiastic.

He believes that current targets will be met easily and that he will have 9,000 acres of land in production by 1991, about four times the area producing today.

The rate of expansion has accelerated dramatically since the industry's privatisation in 1985. From then on the industry began to take off.

Production that year was about 10,000 tonnes of bananas from 1,300 acres and some 870 acres were newly planted. The producing area is now about 2,400 acres with some 3,500 acres planted.

According to Mr Griffith, in 1986 about 14,000 tonnes of bananas were harvested. This year the harvest is expected to reach 24,000, tonnes, then almost double to 40,000 tonnes in 1988 and reach 70,000 tonnes by 1989.

Export earnings have risen in turn, reaching $3.8m in 1986. They are expected to rise to $4.6m this year and to keep increasing in the next few years.

This is still only a small proportion of the country's total exports but it is a much appreciated bonus for the economy.

The key to such expansion and to the official optimism about the industry was privatisation. This released an expansionary impetus that remains unabated.

Critics say, with some justification, that privatisation has led to a concentration of production in a small number of large farms and forced out the small producer, but many of the latter had by then already been squeezed out of the industry.

In 1978 the Government took over what remained of the banana industry after a series of failures that threatened to wipe out the industry altogether. By 1985 there were only 20-30 farmers left and the industry was deeply indebted.

Current earnings still have to go towards paying back some $25m of debt to banks, multilateral agencies and to the Government which were accumulated in the past decade.

Not everyone is convinced that bananas are the right crop for Belize in the long term. Critics say that it is still risky and over-dependent on a single outlet. All exports are marketed in Britain through Fyffes, a subsidiary of United Fruits.

What is not in question is that the industry is growing fast, providing welcome revenues to local farmers, a new source of export earnings to the country and jobs for thousands of mainly Hispanic workers, a large number of whom are immigrants from Guatemala and Honduras

As the industry around Mango Creek grows economies of scale become possible and transport costs can be reduced. At the moment exports have to be transported by barge to Honduras for loading onto ships bound for Britain.

This adds to the costs and poses problems of handling. Bananas mark easily and less handling ensures that a better quality product can be delivered, Mr Griffith says.

As soon as production reaches 40,000 boxes a week - about double the present level - it will be economically viable for Fyffes to bring cargo ships for loading directly to Big Creek, the nearest port just South of Mango Creek.

These levels are expected to be reached by July 1988, but in order to load directly onto ships the port has to be modernised and a new jetty built. The Government is planning to spend about $5m to that affect.

Sugar

Doubts after prices fall

SUGAR PRODUCERS are still struggling to make ends meet although after several years of losses Belize Sugar Industries (BSI), the leading cane processing company, was able to make a small profit of $2m in 1986 and $3m this year.

The future of the industry, the country's most important foreign exchange earner, nevertheless remains uncertain because of the sharp decline in world sugar prices and of increasingly stringent and diminishing quotas imposed on imports into the US, once Belize's most important market after the European community.

The local sugar industry is also still suffering from the impact of the withdrawal of Tate and Lyle from Belize in 1985 and the subsequent closure of one of the country's two sugar mills in Corozal province.

Tate and Lyle's decision was a blow to Belize. Several hundred workers lost their jobs and cane growers from the Corozal district have since been forced to send their cane farther south to the remaining but more distant mill at Tower Hill in the Orange Walk district.

Low world sugar prices and quotas remain the biggest problems. Current prices at about $0.07 per pound have been slightly higher than in the last two years, but they remain well under the average over the past 25 years of $0.17 per pound (in 1985 US$ value) and the high $0.49 per pound achieved in 1974.

"Prices in the last two years were ridiculously low. People without subsidised markets just cannot survive," says Mr Mickey Brownie, BSI's managing director.

To make matters worse, the US has drastically reduced import quotas from 30,000 long tonnes in 1982 to 8,500 long tonnes this year. "This is a major problem for us. Because of the level of efficiency of the sugar industry in Belize we can produce sugar more cheaply than the Americans, but as a result we see quotas constantly being slashed.

"They say open up your markets, stop subsidies, but they subsidise their own people to the hilt. If there was a truly free market we would have sold a lot more sugar in the US than we have during the past years," Mr Brownie says.

The combination of low prices and smaller quotas discourages growers with the result that now BSI may face a shortage of cane to meet its own targets. Production of cane has fallen from 853,000 tons yielding 93,000 long tonnes of processed raw sugar in 1986 to 789,000 tons yielding 83,000 long tonnes of raw sugar.

The cane is produced by some 4,500 growers spread over a large area covering about 60,000 acres in Orange Walk and Corozal, and the BSI mill employs about 525 workers.

The additional cost and time needed to transport the cane from some of the outlying areas in the Corozal district is encouraging an increasing number of growers to switch to other crops with the backing of the Government.

Local demand for cane is also set to rise in the next few years following an agreement with Petrojam of Jamaica which will take over the closed mill in Corozal to process cane to manufacture ethanol for export to the US.

Once on stream the company will need about 270,000 tons of cane from local farmers in addition to some 230,000 which it plans to grow itself at a later date. The project is expected to be fully operational in 1989.

This poses potential supply problems for BSI and it is currently intensifying its own research and development efforts to raise production to prevent future shortfalls.

The European Community remains Belize's main market for sugar with sales this year of 41,500 long tonnes, all of which come under the Lome Convention. BSI is also eagerly seeking new markets and has clinched a deal to sell 7,000 long tonnes to Canada next year.

The value of sugar exports has fallen in recent years reflecting the downward movement of world prices. Exports of sugar and molasses fell from BZ99.8m (about $50m) in 1980, representing 51 per cent of total exports, to BZ46.1m (about $23m) in 1985, representing 36 per cent of all exports.

According to initial Finance Ministry estimates, sugar exports alone were worth $29.3m in 1986 and are expected to reach $31.4m this year, representing about half of domestic exports.

Between 20 and 25 per cent of the country's workforce depends on the sugar industry. So despite its problems and a government policy to encourage diversification into alternative crops, sugar will continue to play a crucial role in Belize's economy

Citrus industry

Best year yet for growers

COCA-COLA'S recent decision to shelve a $120m investment to develop citrus production in north-west Belize has not deterred the general mood of optimism about the industry.

Citrus fruit growers have just had their best ever year. Production of grapefruit and oranges for the first time exceeded 2.5m contract boxes, with orange and grapefruit production rising by over 24 per cent and 26 per cent respectively compared with the previous year.

It was therefore not entirely surprising if the recent annual meeting of the Belize Citrus Growers Association, which also celebrated its twentieth anniversary, was full of praise for itself and its members - the fruit growers and producers which it represents.

Mr Denzil Jenkins, general manager of Belize Food Products - the country's second largest citrus producer and frozen concentrated fruit juice manufacturer - describes the present state of the industry as "up-beat" with good prospects for the future.

The development of Belize's citrus industry has been greatly helped by the Caribbean Basin Initiative, which allows tariff-free and quota-free imports of frozen orange juice concentrates into the US. Under the CBI the exemptions granted to imports of citrus products into the US will be maintained for 12 years until 1995.

Mr Jenkins believes that despite opposition from the powerful citrus growers lobby in the US the agreement will probably be renewed for another 12 years when it expires.

Citrus producers have also been able to draw soft loans from the Commonwealth Development Corporation for expansion, the rehabilitation of groves, and technical advice. This has resulted in the planting of almost 1,000 acres of new groves and the rehabilitation of 6,000 acres during the past four years.

The total area now under citrus cultivation is 12,500 acres, most of which are in the Stann Creek district, 50 miles south of Belize City and where the country's two processing factories for concentrates are located. These developments have enabled the industry to become a major foreign exchange earner.

Practically all the citrus fruit production is processed into concentrated juice and exported. A small amount is sold on the domestic market as fresh fruit or as fresh orange juice.

Exports in 1986 were worth $12.1m and they are expected to be close to $13m this year with the bulk going to the US (about 70 per cent) and most of the rest to the Caribbean, mainly Trinidad, with only a small amount going to Britain.

Until about 10 years ago most of the production was sent to Europe but the US now offers better prices and the advantage of lower transport costs.

The number of growers has increased to just over 440 and they would have been joined by many more had the Coca-Cola project gone ahead. The company's recent decision to put its plans for Belize on "indefinite hold" and divest itself of the larger part of its land in the country as a result of international pressure by environmentalists is a setback for Belize and for the Government's plans to expand citrus production outside the Stann Creek area.

The Government has put a brave face on the decision but there is no hiding its disappointment at losing what would have been one of the most important foreign investments in the country for decades.

Coca-Cola intends to keep about 50,000 of its 196,000 acres of land in Belize and Mr Manuel Esquivel, the Prime Minister, still hopes that a scaled down version of the project may go ahead in the future.

The industry's expansion in recent years has encouraged a new generation of producers. "Previously the average age of farmers was about 60 - now you get more young people," Mr Jenkins says.

At the same time, the advantages to be derived from easy access to the US and Caribbean markets have not been lost on foreign investors who are showing a growing interest in Belize's citrus industries.

Tourism in Belize has yet to be developed but there is much on offer

Coral reefs and a relaxed atmosphere

THE VISITOR may be forgiven for any apprehension on arrival at Belize International Airport, some 14km from Belize City.

Not only is it likely to be hot - a big temperature change if you arrive from Europe or North America in autumn or winter - but the name overstates the facilities.

The arrival lounge is primitive and the customs formalities lengthy and tedious. To speed things up a bit it is wise to get hold of one's own luggage directly from the incoming trailers, but you will still have to queue for a thorough luggage search by customs officers who cannot be described as unfriendly but who settle to their task with meticulous zeal.

The best defence is to relax. Despite the apparent chaos people are helpful and friendly and you should have no trouble finding a porter and a taxi to town for just over £12.

Tourism remains a young and as yet undeveloped resource despite some of Belize's undeniable assets. These include islands, known here as cayes, a few miles offshore and just inside the barrier reef, the world second largest after Austrialia's, and abundant with fish and coral.

There are several sites of Mayan architectural remains, and a rich and varied wildlife and flora.

The number of tourists visiting the country has been steadily rising, reaching more than 88,000 in 1986. Revenues have kept pace, increasing from BZ21.4m in 1984 to BZ31.8m last year, but this is still small given the potential.

Mr Henry Young, the Minister for Commerce, Industry and Tourism, is optimistic about the future prospects. "If we can improve the infrastructure we will be able to attract many more people to Belize."

Tourism has been given high priority by the Government, which recognises that the inadequacy of much of the infrastucture is a major obstacle to further development. Accordingly, a first objective is to modernise the airport.

With the help of British aid funds a study has already been carried out by British consultants Sir William Halcrow and Partners and bids are due to be called soon for the construction of a new terminal. This is expected to cost about £2.5m and work should start in March and be finished by mid-1989.

A new apron and access road is also been considered and British Airport Services are preparing a study for this part of the project which is financed by the Caribbean Development Bank.

One of the many cayes where fishing, snorkelling and scuba diving are popular pursuits

The Government's second line of attack is to expand and modernise exisiting hotel facilities. Finance is now being sought to upgrade the large number of small hotels. At present there are about 150 hotels throughout Belize offering some 1,500 beds, and many are in somewhat run-down conditions.

Service can be on the casual side, facilities primitive and there is clearly scope for improvement in room standards.

At the upper end of the market in Belize City, which will almost certainly be a visitor's first stop, a few hotels provide a better class of accomodation and service, but the lack of effective competition is very much in evidence.

The Fort George, Belize City's prime hotel, does offer a good range of services, the food is reasonable and it is possible to dial directly anywhere in the world from your room. Mr Paul Hunt, the hotel's cheerful owner and manager who has come all the way from Devon to settle in Belize, is at hand to discuss any problems with guests.

He will soon face tough competition from a planned new luxury hotel to be run by Camino Real. A feasibility study has been completed for an initial 120 rooms with the possibility of expanding the hotel later to

The investment is expected to be in the region of $8.5m. Financing has yet to be settled, but the land directly fronting the sea has already been set aside for the project and it is hoped that construction will start before the end of the year.

The new hotel will certainly draw some of the Fort George's customers but Mr Hunt is philosophical. He believes that having a new top class hotel can only improve Belize's image abroad and that it will attract new tourists although he clearly would prefer more of the government's

some 200 rooms.

efforts to be directed towards general improvements of existing infrastructure and facilities.

The Fort George currently has 44 rooms and Mr Hunt is planning to spend $3m on building an additional wing with 25 rooms.

Future developments will concentrate not only on improving existing facilities on the mainland and on the Cayes, but will also be geared towards nature tourism. A jaguar reserve has been established, there are several other wild-life sanctuaries and new types of "Mayan" villages have been built for those fond of nature but who seek a degree of comfort.

The cayes still provide the greatest attraction. The largest and one of the most stunning islands is Ambergris Caye with its small one street village at San Pedro.

The island is 25 miles long and half a mile wide divided from Mexico by a small channel at its northern tip. It is easily reached on a short 15 minutes flight from Belize's municipal airstrip.

Alternatively, the journey can be made in just over an hour by boat on the newly-acquired Miss Belize, which is the source of much local pride for its air conditioning. There are daily trips setting off in the morning between 9 and 10am. It is only a small boat and it is worth reserving in advance to make sure of a seat.

As elsewhere in Belize, facilities on Ambergris Caye are modest but it has all the charms of a picture book Caribbean island with palm trees and beautifully clear waters.

From there it is a brief boat ride to the barrier reef which is a paradise for divers. The reef is very shallow in parts and it is quite possible to stand in calm waters well out at sea and only 20 or 30 feet away from where the waves from the open ocean break on to the reef.

There are several hotels including the Paradise Hotel which is a popular spot and its manageress, Ms Nellie Gomez, will give you a warm welcome.

Internal travel on the mainland can be difficult and slow. For the more adventurous and curious it is worth hiring a small aircraft to take you over miles of forests and low mountains for a visit to banana and citrus plantations in the south.

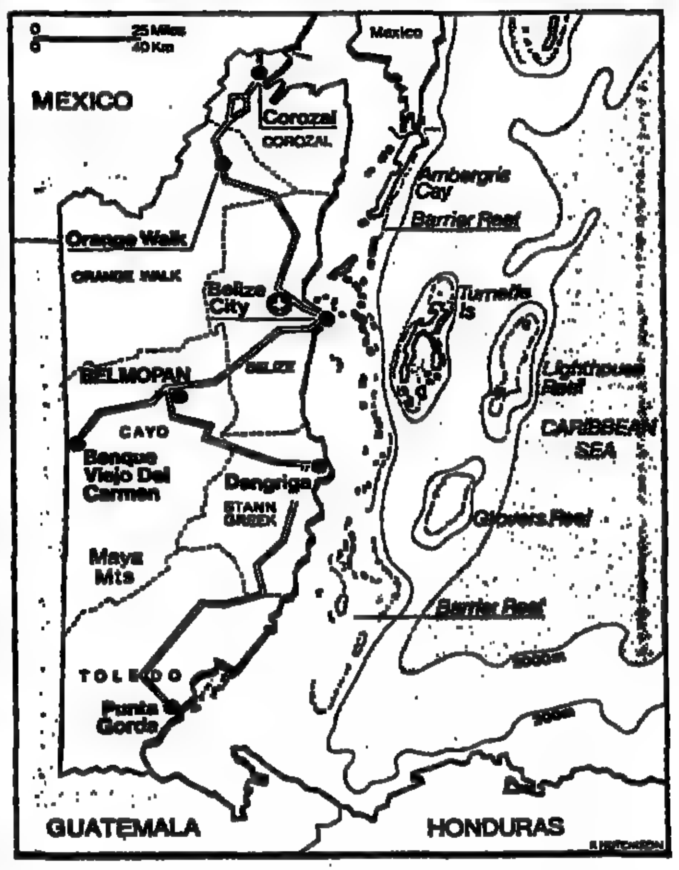
Travelling by aircraft is probably the best and most efficient way to travel within Belize although there is a good road between Belize City and Belmopan some 52 miles west and Orange Walk Town and Corozal in the north.

The journey to the Southern cities of Dangriga and Punta Gorda is slower and necessitates a detour through Belmopan first. Much of the wildlife and flora can be found south from Belmopan in the Mountain Pine Ridge and Maya mountains.

Life in Belize City unravels at a slow pace. It is the country's largest city with about 56,000 inhabitants, but it is small by any standards with a complete absence of high-rise buildings.

There is a picturesque main street with shops and a market. There is no shortage of taxis, but a walk around the streets is pleasant and safe in daylight.

Henry Young: optimistic about the prospects



Opposition politics

Agreement on many issues

POLITICS IN Belize are a quiet affair compared with events among some of its more turbulent neighbours, and Belizeans, on the whole, prefer it that way.

The turmoil that has afflicted most of Central America has stopped at Belize's borders. The vexed dispute with Guatemala which at various times has rattled sabres in Belize's direction in pursuit of a territorial claim has been the only reminder of the dangers that lie in waiting just outside the country.

Internal argument came to a head during the 1984 general election, which was convincingly won by the United Democratic Party (UDP) led by Mr Manuel Esquivel and which ended almost 25 years of rule by Mr George Price and the People's United Party (PUP). The poll - the first since independence in 1981 - was calm, the changeover uneventful and the country settled down to wait and see what changes Mr Esquivel had in store.

In the event it can be argued that the changes that did come were more of emphasis than substance, although both Mr Price who still leads the PUP and Mr Esquivel, the Prime Minister, like to stress the differences between their governments.

Mr Esquivel makes much of his administration's push to improve the efficiency of the state machine and the public sector, which are being streamlined, and of moves to sell-off state holdings in industry and agriculture. But by the standards set by Mrs Thatcher or President Reagan, the drive towards market economics is slow, cautious and modest.

The PUP has attacked the Government for allowing the closure of one of the country's two sugar mills and for its lenient attitude towards foreign business interests.

"We had a mixed economy before, now we have a market economy," Mr Price says.

He accuses the Government of fuelling unemployment and of failing to provide adequate care for those most in need. He is also critical of the Government's cancellation of plans to build a university in Belmopan.

The Government, he says, has sharply increased the country's indebtedness by borrowing abroad to help private sector investment at the Belizeans' expense.

Some of his most severe criticisms are aimed at the Government's foreign policy which, he says, has tilted heavily away from non-alignment towards a pro-Western and pro-American stance. "The second prime minister is the man in charge of the US Aid programme," he says.

He believes that the Government has allowed some US military flights carrying war materials en route for El Salvador, or to help contra rebels in Nicaragua to land in Belize to refuel, although this is firmly denied by the Government.

But on most issues there is a remarkable degree of agreement. Neither the Government nor Mr Price wish to see the British forces stationed in Belize withdraw. Nor do they want to be involved in the regional peace process since this would involve the withdrawal of foreign troops from the participating countries.

The political tempo is expected to quicken next year for municipal elections which Mr Price hopes will help his party to recover the initiative for the general elections due by the end of 1989.

The Government is aware that some of its policies have not been entirely popular and that expectations raised by Mr Esquivel's victory may have been disappointed. But with about two years to go before the election, it clearly hopes that the benefits will have come through by then and that this will help the UDP to maintain its commanding lead.

How to exploit technological change in business

Subscribe to FinTech newsletters, and seize the initiative before your competitors.

Over the last 20 years there's been an explosion in business information on technology. The fall-out hits your desk each week in a welter of facts, data, comment and analysis.

You haven't time to *digest it all. But you* can't afford to ignore it.

Just one fact could transform your business. The problem lies in knowing how to find this information before your competitors.

The answer lies in FinTech – the fortnightly newsletters from the Financial Times Business Information Service.

FinTech tells you concisely and precisely how the latest technology affects your industry... markets... investments... competitive performance. And gives you the insight you need to exploit today's innovations, and leave your competitors standing.

Choose the newsletter most pertinent to your business

FinTech comprises six separate specialist units. So you select the newsletter or newsletters most pertinent to *your* business:

● Telecom Markets is an authoritative commentary and news service written for the telecommunications supplier, investor and major user. It ● analyses and predicts U.K. and international telecom markets; ● monitors supply of, and demand for, an ever-widening range of telecom services; ● aids your forward planning by keeping you fully briefed on government and company moves; ● tracks developments in *satellites, cellular radio, cable-borne communications, teleconferencing, teletex, voice messaging and other product and service areas.*

● Electronic Office helps you win in the office technology revolution by telling you *how to solve office automation problems and how not to create more.* It provides an impartial analysis of ● system suitability and limitations, ● the performance of vendors, their weaknesses and strengths. You'll find regular reports on the effectiveness of network systems and all other developments in office communications; ● on progress in standardisation; ● how to ensure enthusiastic co-operation from your workforce. And, from regular case studies, you'll be able to *learn from the mistakes and capitalise on the successes of others.*

"In the computer industry things move very fast. To keep ahead you need up-to-the-minute information. FinTech gives me and my colleagues this head start. What's more, the case studies it corresponds provide valuable insights we apply directly to our operations."

Mr J.A. Sharp, Manager, Technical Publications Unit, Epson (UK).

● Personal Computer Markets provides you with essential market information on, and interpretation of, the professional personal computer industry. It ● tracks worldwide sales, ● reports and assesses market forecasts, ● alerts you to openings you can exploit, ● gives you a critical update on products, selling techniques, distribution networks, and how government legislation affects your business. *"Vendor View" provides a unique insight into what your competitors are doing. "User View" gives you a unique insight into your market.*

● Automated Factory is an essential business briefing for busy industrialists and their advisers. It tells you ● how the latest techniques, systems and equipment will improve your productivity and efficiency, ● how automation is best planned and carried out, ● how it should be financed ● and what your competition is doing. It keeps you abreast of the market – who's winning, who's losing and *who's likely to be around in five years to support the systems supplied today.* And it features candid case studies which enable you to profit from the experiences of others.

● Software Markets brings you all the crucial news on the international software industry... providing non-technical "insider" commentary and analysis... giving a sharply-drawn view of the software marketplace. Regular contents include ● market reports and forecasts, ● investment opportunities, ● statistical information, ● news on who's developing what, who's signed up who, who's on the verge of bankruptcy, and *what's in the research lab now that will be tomorrow's world beater.* It alerts you to today's opportunities and threats, and gives you the insight you need to take a successful strategic perspective.

● Computer Product Update is *the one publication in the world that gives you the latest information on new computer products* – micro, mini and mainframe; peripherals; software; supplies; and services. Information includes ● vendor, ● technical details, ● product availability, ● price, ● performance, ● compatibility with existing products, ● alternatives and ● potential use. If you're a buyer, discover the full range of products available. If you're a vendor, be fully informed of your competitors' products and strategies.

"An essential business briefing. It tells me precisely what I need to know, and saves me the time and effort of scanning countless other publications."

Mr. R.E. Shore, Manufacturing and Systems Manager, ICL.

How FinTech gives you the competitive edge in business

Each FinTech newsletter is edited by a specialist business and technical journalist.

The FinTech editorial team includes former editors of Computing, Business Week, and Automation magazine. As Managing Editor, Bruce Andrews, explains, "We have assembled probably the world's finest writers in their respective fields."

These writers work closely with other experts from the Financial Times editorial desk. Together they monitor international developments through the FT's network of over 200 correspondents worldwide. So you've a specialist reporting to you from virtually every country in the world.

These correspondents are your ears and eyes. They're filing reports right up to deadline. Facts are checked, their meaning interpreted. Then we go to print. And just three hours later, that edition of FinTech is in the post to you.

This means you're assured of the up-to-the-minute news and analysis you need to be first off the mark when an opportunity arises or when a threat appears.

How FinTech saves you time and money

Seek this range of coverage from other sources, and you'll waste hours scanning newspapers, specialist journals and trade magazines.

Commission this kind of original research independently, and the cost will be astronomical.

Yet a year's subscription to a FinTech newsletter costs just £297 or less. For this you receive 24 FinTech newsletters a year, a quarterly and annual index, and a handsome binder.

Furthermore, you can also take advantage of the free enquiry service direct to FinTech's editorial team. So if there are any points you wish to raise, any items that you need clarifying, simply phone, write or send your query through electronic mail.

"A unique news service, that keeps my finger on the pulse of events in my industry. FinTech fills the void that once existed between trade journals and specialist magazines, and expensive independently commissioned research."

Dr. M.A. North, Director of Group Engineering Systems, Racal-Chubb.

Why you can rely on FinTech for accurate, impartial information

A subscription to FinTech is like having an authoritative business consultant at your beck and call... at a cost to you of only 82p a day.

Just as you'd depend upon that consultant for impartial advice, so you can rely on FinTech for complete objectivity.

Whereas most other specialist publications are under pressure to praise their advertisers' products and avoid criticism, FinTech is free to tell you the truth. We have no advertisers calling the tune. If a product is over-priced, we say so. If a vendor is in financial difficulty and may not be able to fulfil their commitments to customers, we'll warn you.

So when you read FinTech you're assured of getting the unflinchingly frank reporting you need to make the right business decisions.

How to subscribe to FinTech

This kind of honest, authoritative comment and analysis makes FinTech required reading in the offices of blue chip companies like Citibank, Cable and Wireless, ICI, Hewlett Packard, Siemens, Honeywell Bull and GEC. They're already exploiting the knowledge FinTech brings.

If you've any doubts about sharing the advantage, consider this. In the time it takes you to read this advertisement, a technological breakthrough has been made that will affect your business. You can find out about it in one of two ways: wait for your competitors to exploit it, or read FinTech and seize the initiative first.

Don't wait. Subscribe to FinTech today by completing the coupon below. Simply indicate the FinTech newsletter or newsletters of your choice, and your preferred method of payment.

If you wish, give us your instructions by phone or electronic mail. Just call Cathy Palmer or Barley Robinson on:

☎ 0483 576144

TELECOM GOLD 81:NEW009

Financial Times Business Information, 30 Epsom Rd., Guildford GU1 3LE.

Remember, FinTech newsletters are designed to make... or save... you many times the cost of the subscription. *Each newsletter is backed by the special FinTech guarantee.* If you're not absolutely satisfied, cancel immediately and we'll refund your outstanding subscription in full.

"So many magazines, bulletins and papers arrive on my desk, it's impossible to absorb all the information. Now FinTech solves this problem because it provides me with the latest news and comment, in a concise, compact no-nonsense way."

Mr. M. St Vincent, Group Computer Services Manager, Extel.

How to pay less for FinTech

Before you place your subscription, think for a moment of your colleagues in other departments of your organisation. Couldn't they benefit from FinTech, too?

Give them a little shrewd advice and remember, a subscription to more than one FinTech entitles you to a special discount rate. For example, if your company takes Electronic Office, Telecom Markets and Software Markets you'll save a full £88 off your annual subscription.

"An extremely useful, impartial source of pertinent business information."

Mr J.W. Ault, Director, AT&T International (UK).

If you're on-line to Telecom Gold, get the news before it goes to print.

FinTech is available on-line through Telecom Gold. If you have a Telecom Gold mailbox, simply type FINTECH after the prompt sign.

Then, view the current issue immediately it's written, search back issues using a swift and simple search method and send your enquiries to FinTech's editorial desk.

As a subscriber to FinTech, you'll enjoy the above benefits, plus these preferential terms: ● FREE Telecom Gold registration – save the standard fee of £40 – and ● access to your newsletter at the nominal surcharge of only 15p a minute – compared with the normal surcharge of 80p a minute.

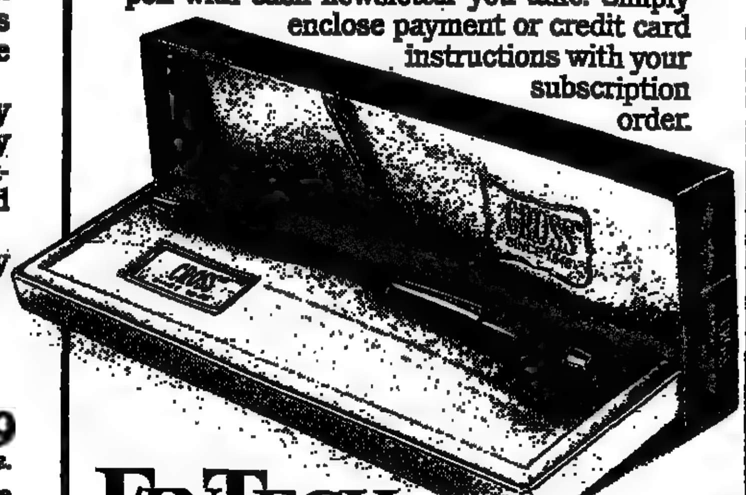
TELECOM GOLD

A gift for you when you subscribe

If you act now, and subscribe with payment to the FinTech newsletter of your choice, we'll give you this Cross Classic pen.

Like FinTech, the Cross Classic Black comes with an unbeatable guarantee. If it fails you throughout your life in the fast lane of business, return it and it will be replaced at no charge to you.

Usually the Cross Classic Black costs £23.50, but we'll send you yours FREE. Moreover, subscribe to more than one FinTech newsletter and you'll get a free Cross pen with each newsletter you take. Simply enclose payment or credit card instructions with your subscription order.



FINTECH

Mail your FinTech subscription instructions today

YES Enrol me now for a 12-month subscription to the following twice-monthly FinTech units:

☐ *Telecom Markets* ☐ *Electronic Office* ☐ *Personal Computer Markets*
☐ Automated Factory ☐ Software Markets ☐ Computer Product Update

Block capitals please

Name________

Position________

Company or Organisation________

Address________

Country________

Postcode________ Telephone________

TELECOM GOLD MAILBOX NUMBER________

Arrange for me to be allocated a Telecom Gold mailbox, without registration fee (tick if required) ☐

Signature________ Date________

The FinTech Guarantee

The Financial Times guarantees that if, for any reason, you wish to cancel your FinTech subscription, a complete refund of the unexpired portion will be sent to you immediately on request.

FinTech Subscribers

If you are already a FinTech subscriber, you are entitled to take your present units into account when subscribing for further units and pay the relevant lower subscription rate.

Number of FinTech units	Subscription Rate
One	£297
Two	£560
Three	£803
Four	£1,036
Five	£1,229
Six	£1,412

Rates include first class post or air-speeded delivery and are payable in any international currency converted at current rates.

I enclose cheque for £_____ payable to "FT Business Information Ltd (FinTech)" ☐

Debit my credit card (mark choice)

☐ Visa ☐ Access ☐ American Express ☐ Diners

Card number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Send me an invoice ☐

RETURN THESE INSTRUCTIONS NOW TO: Cathy Palmer, FinTech Subscriptions Service Manager, Financial Times Business Information, 30 Epsom Rd., Guildford GU1 3LE.

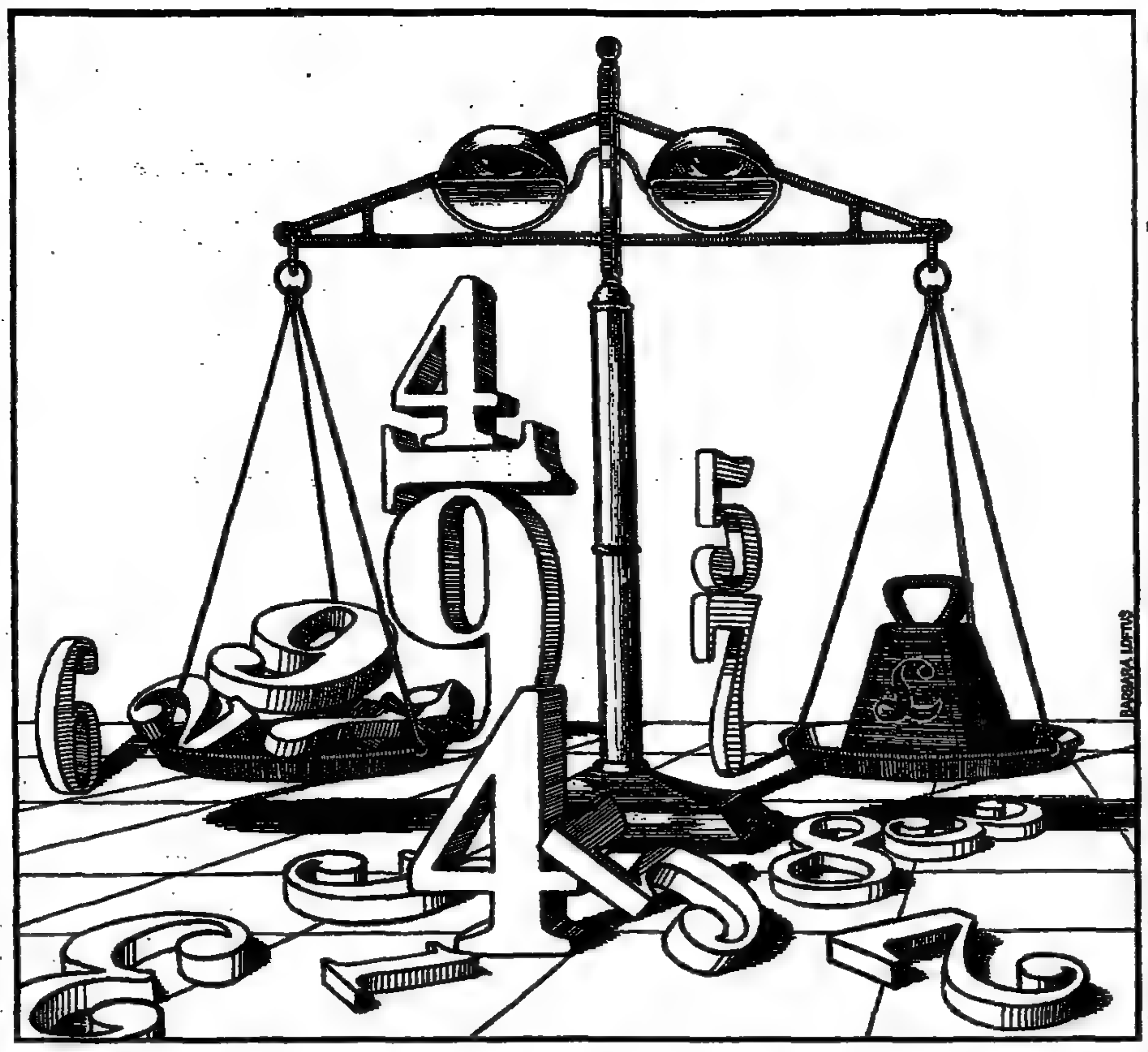
To place your instructions by telephone or electronic mail, contact Cathy Palmer on 0483-576144 Gold 81:NEW009

Registered Office: Bracken House, 10 Cannon Street, London EC4P 4BY. Registered in England No. 980896

SECTION III

FINANCIAL TIMES SURVEY

Over the past few years, diversification has been the watchword of the large firms; for the next few years, it will be consolidation, says **Richard Waters**. And they are likely to strengthen their international links, particularly in Europe and Japan



Accountancy

It's business that matters

THE BIG developments confidently predicted not very long ago in the accountancy world are still awaited. The mergers that were meant to reshape the accountancy profession, generating a small group of huge financial and professional services firms, have not happened. And few think they will - at least for a while.

Behind the scenes, firms are busy reinforcing their positions, plugging gaps in their international networks, extending their range of services,eating up smaller firms - all aimed at finding and sorting out the defensive weaknesses.

The merger of KMG and Peat Marwick McLintock last year could upset this cosy picture.

By any standards, KMG and Peat Marwick have managed remarkably well in holding together and carrying forward their new firm. With 6,200 partners around the world, each of them with a say in the future, there have been few visible signs of strain - though, as explained below, there have been losses from the group.

The firm is now beginning to exert a new pull in the accountancy market - the pull of sheer size. Other firms, used in the past to looking each other in the eye, now find themselves in some countries looking KPMG, as the new firm is called, in the navel.

KPMG is hard for clients to ignore. It is likely to be taken seriously at all the best tender parties - a vital market advantage at a time when at least eight firms are competing for the same work.

Other firms claim that their business is not suffering. The Peat/KMG move was not enough to shake the market to its foundations. But there are hints that they do not want KPMG to be out on its own for too long.

"We want to be a leader - however defined," says Mr Don Hanson, managing partner at Arthur Andersen in the UK.

Most senior partners of large firms can survey the world maps in their offices with some satisfaction. They have put pins in most of the right places. Alliances have been forged with national firms in each country and appear strong - though for all firms the image of single international entity is to some degree a fiction.

Uncertainties persist in two important regions of the world. Building the right links in continental Europe and the Far East (mainly Japan) is a process likely to sort out the leaders from the laggards in the next decade.

The European dimension has only recently become of major interest to the large international firms. Closed national audit markets kept them out in the past: the relaxation of these rules, and the likely growth of business within the European Community when economic barriers between member states are dismantled, have brought a flurry of activity.

"We're going to give a far more integrated service around Europe. One has to move down the road of closer co-operation," says Mr John Bullock,senior partner of Deloittes.

It was the European factor that prompted the Peat/KMG merger, which came into effect internationally at the start of the year - though firms in individual countries have taken rather longer reaching agreement. Peat had little European presence and was lucky to win the hand of the much-courted ,European-based KMG.

It has not all been smooth sailing, though.

The French audit firms of Peat and KMG have suffered some serious defections. Fiduciare de France, the KMG firm, has opted to go along with the merger, but its 60 per cent owned subsidiary, Frinault - and the firm with all the high value work, compared with Fiduciare's low-value bookkeeping - has decided instead to join Arthur Andersen.

This unusual situation may lead to legal action. Meanwhile, a handful of Peat's partners in France has opted to join other firms.

Another potentially disastrous situation, in West Germany, was saved after lengthy negotiations. In the process, outside shareholders who owned nearly half of the KMG firm, Deutsche Treuhand, have been bought out. Peat Marwick partners, all but one of whom have joined the firm, now continue to operate independently as a subsidiary of Treuhand, though with no equity stake in the firm.

Others have embarked on a series of European mergers. The most ambitious has been Ernst & Whinney, which was jilted at the altar by KMG. It has pieced together a network with mergers in almost all of the major European countries in the past two years.

Price Waterhouse also appears to have set its sights on European expansion. But a merger in France has provided a setback. "It caused more problems than we thought," says Mr Jeffrey Bowman, senior partner. A US partner has now been shipped in to take charge of the situation.

The losers in this process will be smaller firms. KMG, though not a member of the "Big Eight" of the accountancy world, could claim with some justification to have been in the first rather than the second tier. Those below it now cannot.

BDO, a KMG-type affiliation of European firms with a relatively weak US presence, could be the first to be chewed up. In fact, it could soon be just BO - its D, Dutch firm Dijker en Doornbos,is talking about a merger with Price Waterhouse.

The rest of BDO is furious,and claims it will hang together. Morale at a recent international executive meeting was high, reports Mr John Norton,the UK senior partner.

"We have got consultants in looking at the whole image and projection of BDO," he says. "We actually have an approach that is in some ways different to the Big Eight." The firm's strength stems from its multi-cultural background, and the fact that it does not have adopt a "standard format" in its work, he says.

But the calling cards of acquisitive larger firms have been dropping through the letterboxes of BDO's individual member firms. Its dismemberment is not ruled out by other firms - and even if it holds itself together,it could lose clients by the departure of a core member of the group.

Another medium-sized firm, Spicer and Oppenheim, could follow suit. Spicer has just lost its Dutch firm to Ernst & Whinney and its Northern Irish firm to Touche Ross.

Unlike BDO, though, Spicer is fast establishing itself as a leader in at least one market - financial services. Its skills in this area (acting for many of the most famous names in the securities and investment banking world) are the envy of competitors. But endless overtures to the firm have been met with frosty rejections.

The mergers around Europe could be drawing to a close. "The European position is settling down," says Mr Brandon Gough, Coopers & Lybrand's UK chairman. "Firms not strong there now are effectively locked out."

Japan presents the other area of concern for the large accounting firms. There are, by general agreement, only six significant audit corporations in Japan. Competition between the eight large international firms has therefore been intense. The result has been shifting affiliations, with frequent disagreements in New York and London about exactly who is linked exclusively with whom at any on time.

KPMG has the most obvious gap. The audit corporation associated with KMG left to join Touche Ross after the merger with Peat was announced. This has left the world's largest firm with a conspicuous gap.

Touche Ross is already benefiting from long-standing links with another Japanese firm, Sanwa. It claims to serve a quarter of all Japanese business in the UK.

This illustrates the benefits of strong links with Japanese accountants. They expected not to open their own offices around the world, following outward capital investment by their clients, but to rely on links with established international firms.

Domestically,the UK market for accountancy services is witnessing many of the same forces: consolidation by larger firms, fragmentation of some smaller ones, and a continuing concentration on developing a wide range of services - though a degree of refocusing has been undertaken.

Three national names have disappeared since last year. Thomson McLintock, a firm with a proud Scottish heritage,was the national member firm of KMG - and duly merged with Peat Marwick in April.

The "merger" is billed by many as a takeover. Peat has a small pool of partners who share in the profits of the UK business (other partners are rewarded on local efforts)- and only two TMcL partners were admitted to this.

Peat also swallowed up most of Armitage & Norton, a Yorkshire-based firm with some penetration of local government audit work - a notoriously unprofitable business. Management problems brought Armitage to its knees, with partners finally opting to break up the firm. Ten offices joined Peat, while another five merged with smaller,fast-growing Saffery Champness.

The third firm to disappear, Dearden Farrow,was told by a team of management consultants that it had no future as an independent firm - a conclusion it was fast coming to itself. It arranged a defensive merger with Binder Hamlyn. This is a decision it may come to regret: Binder is the B in the troubled BDO.

Besides picking up the pieces of such developments, the large firms have been mainly concerned over the past year with consolidating the position they have built rapidly this decade. Diversification was the watchword of the last few years: consolidation will be that of the next.

Continued on Page 2

CONTENTS

The structure of the profession

Mr Maude drops a hint

CALLS FOR the accountancy profession to unite have resulted in an unlikely liaison between English and Scottish institutes, while renewed rivalry has flared in other camps.

There are six accountancy institutes of importance at the most senior level. Three are national, home-based organisations (one for England and Wales, one for Scotland and one for Ireland), two are international bodies and the interests of the last are restricted largely to the public sector. All are incorporated by Royal Charter and are therefore technically "chartered" bodies although it is only members of the three national institutes who may call themselves "chartered accountants".

As if this were not confusing enough, some members of four of the bodies may audit companies but all members of the others may not. Anybody may call him or herself an "accountant" and keep accounting records for a company or offer accounting and tax services to anyone who walks through his doors. However only those members of the institutes recognised under section 389 of the Companies Act, who hold a "practising certificate" from their professional body, may sign audit reports.

These four bodies are the Institutes of Chartered Accountants in England and Wales, of Scotland, and in Ireland, and the Chartered Association of Certified Accountants. It is this last body which currently finds its back against the wall, confronting the other three with some longer-range sniping from the two non-audit institutes, the Chartered Institute of Management Accountants and the Chartered Institute of Public Finance and Accountancy.

Members of these last two bodies, like those of the other four who do not hold practising certificates, are generally accorded no special position in law other than the right to hold office as a company secretary. The value of their qualification depends entirely upon market recognition of its worth as a seal of quality.

There is no question that the structure of the accountancy profession will change. As if forces caused by realignment of the financial services market were not enough, there is a Euro-factor at work. Dealing with auditors' qualifications, the EEC Eighth Directive on company law, adopted in 1984, is due to be enforced by 1990. If the proper timetable is to be met, implementing legislation is required in the New Year.

On the Continent, things may be a little simpler. There, statutory auditors belong to one institute, other accountants to another. And of course, there are far fewer companies to audit - usually a few thousand compared to the UK's 1m or so - and fewer auditors.

Proposals from the Department of Trade and Industry on implementation of the directive have, in the end, tended towards minimum upheaval. Even so, final changes look likely to allow audit firms to set themselves up as limited companies, will give the Secretary of State a clearly defined responsibility for the auditing profession and will insist on safeguards to ensure adequate standards of audit work.

It would be much more convenient for the Government, in taking on this more precise responsibility, if it could cut down on the number of accountancy bodies with which it has to deal.

Earlier this year Mr Francis Maude, Corporate and Consumer Affairs Minister, suggested the profession should merge for its own good and that of the public. However, he made it clear that such a move would have to come from the profession itself and would not be forced by the Government.

The hint has been taken although there is little likelihood of full-blown integration - differences in geographical coverage, training options and traditions are simply too great.

"The idea of us all getting into the bath together, at least at the same time, just isn't on," says Mr John Warne, secretary of the English institute. While he accepts that the accountancy bodies will move closer together and their numbers may even reduce, full integration is not on the agenda.

All six of the major accountancy bodies currently co-operate on setting accounting and auditing rules, in dealing with public interest disciplinary matters and all subscribe to the Consultative Committee of Accountancy Bodies. This umbrella talking shop has been used to discuss ways of drawing together to meet DTI objectives.

There have also been public utterances from the leaders of the profession calling for closer links. Mr Stanley Thomson, president of the Chartered Association and director of finance at Ford UK, used a recent national conference to put the case for closer collaboration. And Prof Michael Bromwich, the CIMA president, used a similar occasion to suggest: "The institute should work in ways that will help to obtain the goal of unity." He was at pains to stress the undesirability of a split between the practising side of the profession and accountants in industry.

In truth, while the Chartered Association has its own points to score from the Eighth Directive proposals, it is facing a squeeze from the chartered institutes and in particular from the English and Scottish institutes.

Despite their involvement in the Consultative Committee of Accountancy Bodies, each of the major accountancy bodies has been busy submitting its own recommendations and arguments to the Government.

In practice, each of the six offers a similar level of qualification. Differences in market evaluation occur largely because of the size of the bodies - and hence knowledge of the qualification - or because of historic or national prejudice. The English institute, being the largest accountancy body with over 80,000 members, and the Scottish institute, as the oldest accountancy body with distinct traditions, are therefore, well placed.

Imagine, therefore, the delight of the Chartered Association at the possibilities raised by the Eighth Directive that all accountants should be given a common designation and "registered" with the DTI. Either or both such changes would go a long way to ensuring public acknowledgment of the equality of their qualifications.

Naturally, these aspects of possible changes are being championed by the Chartered Association and resisted by its powerful competitors.

Their counter, from practical and technical considerations as well as competitive instinct, is to attack the very basis of the Chartered Association's involvement in audit at all.

The English institute is campaigning strongly for the removal of the audit requirement for small companies - a subject which has split its own membership on more than one occasion. On the one hand, it can be argued that it is in the case of small companies that creditors require most protection and that relaxation of an audit requirement would have a detrimental effect on record-keeping standards. On the other hand, auditors report primarily to shareholders, in small companies usually the very people they are auditing. And without large company division of tasks, audit in any case presents practical difficulties. Add to this the increased audit costs that will be associated with the new monitoring requirements, and audit becomes an unnecessary and significant burden on small companies, argues the institute.

Now all the partners in large audit firms - the ones that audit large companies - are members of the English, Scottish and Irish Institutes. The Chartered Association, with fewer members with practising certificates in the first place, is linked only to smaller audit firms - which tend to audit only smaller companies.

So if, for whatever reason, the small audit requirement were abolished, the Chartered Association might find itself with very few, if any, members conducting actual audits - a fact which might reflect in the longer run on its recognition under section 389 of the Companies Act.

It is perhaps not surprising that the Chartered Association is strongly opposed to the abolition of small company audits.

CIMA, for its part, is keen on the abolition of small company audits but also on a greater role for those accountants employed within companies. It has suggested to the DTI that the statutory requirement for audit should be restricted to public limited companies, that audits should be conducted by "registered auditors," and that the framework for regulating auditors should centre on the Institutes of Chartered Accountants, since the vast majority of registered auditors belong to those bodies. However, CIMA would like a new category of "authorised accountants" so that each of the six CCAB accountancy bodies would become authorised to sign small company certificates stating that accounts had been properly prepared in accordance with the Companies Act.

All this may suggest the profession is in some disarray. Not so. Accountancy bodies are in something of the position of commercial companies co-operating through a trade federation. Together, they can certainly do a great deal to protect and raise industry standards. Apart, they are rivals. The competition is not unhealthy and has led to innovation, particularly from the Chartered Association, CIMA and CIPFA. Each has its strengths and weaknesses, but any merger is likely to be contested.

Leon Hopkins
World Accounting Report

Corporate finance

A multi-disciplined approach

THE LAUNCH on October 28 of the Accountants Business Network (ABN) told the world one thing: whatever its wider implications, the accountancy firms take their involvement in corporate finance work or business services seriously and are a force to be reckoned with.

The ABN allows companies making acquisitions or disposals to exploit the extensive contact data base of the UK's 15 biggest firms in their hunt for sellers and buyers. The firms have built up their data bases through years in mergers, acquisitions and disposal work, which long predates the merger mania of the recent and now ailing bull market.

In a sense it is the merchant banks which are the relative newcomers to corporate finance. The 1948 Companies Act required all companies to publish audited consolidated accounts. This, together with the growth in the 1950s and 1960s of big multi-national companies, meant that accountancy firms' audit services were stretched to the limit. That enabled the merchant banks to muscle in on other areas of business services and corporate finance.

It was their move into consultancy that brought the accountants back into mainstream non-audit advice. As well as helping companies with more traditional compliance, investigation, recovery, M&A, and disposal work, firms are developing their strengths in newer areas. Management buy-outs are an important source of activity as are listings, especially on the USM and the Third Market.

Treasury consultancy may figure more largely in the future, although so far only Spicer and Pegler offers this in its corporate finance division. Deloitte, Haskins & Sells is in the process of developing it, however, and is also planning a service to give independent second opinions on the advice offered to companies by merchant banks, particularly on new financial instruments devised to restructure balance sheets

Accountants see themselves as complementary to merchant banks rather than in competition with them. Their work for private and smaller public companies does not generate the sort of fees that interests a merchant bank, but this could change if the merchant banks go down-market in the wake of the stock market crash.

"We focus on a market in which the merchant banks are less and less interested," says Mr Richard Mead, the partner who heads the corporate finance department of Arthur Young. "Most of our work involves small public companies and private companies, with deals rarely worth over £30m. Merchant banks can earn more money from deals elsewhere."

Unlike merchant banks, accountants do not underwrite deals or provide finance. But even if they could put money into deals, most accountants would prefer to steer clear of business that takes them further away from their "traditional objective role as verifiers," in the words of Mr David Carter, head of corporate finance services at Peat Marwick McLintock, the UK's biggest firm.

Peat is the leading firm in corporate finance, with a hand in around 40 per cent of UK management buyouts. At the same time the firm is the most cautious in its approach and the most opposed to any suggestion that it models itself on merchant banks in its business services. Unlike the other big firms, Peat does not have a separate corporate finance department but regards corporate finance services as "special work" within the audit practice

Mr Carter insists that this approach accounts for the firm's leading position. "We wouldn't have our share of the buyout market with a special department. Our approach allows local partners to pick up their own deals around the country - one partner has recently done two £10m buyouts on his own."

Most other firms have recognised corporate finance departments within the partnership although some, such as Ernst and Whinney, prefer to differentiate investigation work from other fields such as mergers and acquisition and fund-raising advice. While none of the larger firms is as conservative as Peat, Spicer and Pegler is the only large firm so far to have set up a separate corporate finance subsidiary.

The multi-disciplinary approach is typical of some firms, such as Coopers & Lybrand, which recently appointed the deputy head of the consultancy practice, Mr Clive Williams, to head corporate finance support services. His view is directly opposite to that of Mr Carter, who believes corporate finance work should stay firmly in the hands of audit partners: "How can you provide a full service if you are not multi-disciplined ?" Mr Williams asks. "Corporate finance is just too complex these days and the time when auditors could be all things to all men is over."

Spicer and Coopers are among firms to have recruited merchant bankers to beef up their corporate finance work. But bringing bankers on board is not a guarantee of success - Ernst and Whinney parted company with Mr Simon Barrow, a former Kleinwort Benson corporate finance director, at the end of August because, in the words of Mr Stephen Ward, a partner, "things did not quite take off as we had hoped." Mr Barrow has gone back into banking as a director of Henry Ansbacher's corporate finance division.

Corporate finance still accounts for only a small part of most firms' total fee income, ranging from under 1 per cent for the smaller departments such as Arthur Andersen's corporate finance services group, to between 12 per cent and 14 per cent for the larger ones such as Peat, Deloitte and Price Waterhouse.

As departments expand, firms will have to tackle a number of issues. Most important of these is the need to operate strict Chinese walls between audit and corporate finance work done for the same client. Although most firms say they are looking for work outside their audit base, audit clients still form the majority of their corporate finance customers.

Charging for corporate finance work also poses problems. Traditionally, accountants have charged on an hourly basis but this would be impractical in some cases. For example, the management team in a buyout would hardly be able to afford several months' worth of fees if the buyout failed. Firms are now tending to look at transaction-based fees, *a la* merchant bank, where the final fee depends on the success of the deal. The English chartered accountants' institute has recently given the go-ahead for firms to charge contingency fees.

Whether transaction-based charging undermines a firm's judgment by giving it a vested interest in the success of deals is another question with which accountants will have to wrestle.

They may have no money to compete with the likes of Morgan Grenfell and S.G.Warburg but the accountants do have a formidable international network of offices and can be expected to play an increasing role in cross-border mergers and acquisitions.

Mr Ian McIsaac, Touche Ross corporate finance partner, points out that there is nothing to stop foreign companies gaining access to the ABN through firms' overseas offices. As one accountant puts it, "we have come full circle since the merchant banks took over from the accountants in corporate finance in the late 1950s and early 1960s. The accountants are back to stay."

Peter Bently

It's business ...

Continued from Page 1

Accounting firms have turned themselves into financial and professional services conglomerates, though the process has some way to go. They they still generally look to auditing for half their fees.

And like all conglomerates, they have found the need to refocus their energies.

High on everyone's lists are advising on information technology and corporate finance. The more disparate areas of management consultancy into which some firms have ventured are assuming less significance.

A third priority for the big firms is audit. The move into high added value services of the past few years has brought its rewards. But firms fear they may have taken their eye off the ball. They look to audit for their reputation for independence, which all recognise as their most powerful commodity. It also provides them with many of their clients.

Small firms, meanwhile, are following in the tracks left by the large firms over the past five years. Still heavily dependent on audit and tax advice, many small firms are now expanding into new services.

Advising on their corporate clients' computing needs and offering personal financial advice to personal clients are two of the favourite areas of expansion. "Growing businesses" feature prominently in everyone's marketing plan as small firms seek to exploit their two greatest market advantages - the fact that they are cheaper than large firms and are generally seen by small businesses as more approachable.

The development of new services looked to be threatened last year by a suggestion that audit firms should not be allowed to offer other services to their clients. This idea, brought up by the Department of Trade and Industry as a potential answer to fears about lack of independence on the part of auditors, was finally laid to rest this summer - to the relief of the accountancy firms.

But concern about audit independence has now given rise to a new debate which may be of equal importance to the commercial interests of firms. The accountancy profession is bitterly divided over whether outsiders should be allowed to own up to 50 per cent of firms.

The access to equity capital this would give could be vital in the future, claim most of the large firms. But others believe that auditors will be less independent if they answer to non-accountants. The Government has now given the profession until February to sort out its differences.

Large firms, meanwhile, expect their fees to continue to grow at more than 20 per cent a year - though they would suffer disproportionately if business confidence dries up in the wake of the stock market crash.

It is often said that accountants are immune to a recession: their insolvency departments expand as their auditors contract. There is some truth in this - but what hurts them most is a period of flatness between the two extremes.

The likely pause in flotations, mergers and acquisitions and other public work will knock the edge of the accountants' expansion. If managers delay investment decisions or other initiatives, it would hurt them further. Accountants thrive on economic activity.

The accountants are not getting worried - yet. The slimming down of corporate headquarters and government departments has left a gap in the market for the providers of support services.

Also, the speed of change prompted by information technology and new manufacturing technology is not expected to slow. These forces will keep the accountants in demand for some time to come.

TOP 8 INTERNATIONAL ACCOUNTANCY FIRMS

	Turnover 1985/6 $m	Growth %	Partners	
KPMG	2,600	n/a†	5,200	
Arthur Andersen*	1,924	21	1,847	31.8.86
Coopers & Lybrand	1,700	22	3,075	30.9.86
Ernst & Whinney	1,492	26	2,640	30.9.86
Price Waterhouse	1,488	21	2,291	30.6.86
Arthur Young	1,427	23	2,572	31.12.86
Deloitte Haskins & Sells	1,188	20	2,192	30.9.86
Touche Ross	1,151	18	2,600	31.8.86

†Created by merger of Peat Marwick and KMG. No comparable figure available. *Andersen reports fees up by 20 per cent to US$2.315bn in year to 31.3.87.

Should companies own shares in their auditors?

EC directive sparks debate on outside shareholdings

OPEN DISAGREEMENT over who should be allowed to own a stake in an accountancy firm is leading to the most politically damaging dispute the profession has faced for years.

At its worst, the message going out from the accountants is that they do not feel capable of regulating themselves, and would rather the Government did it for them.

The Government would rather leave it to the accountants. There are no votes to be gained from tightening regulation of a profession which has stayed remarkably free of the scandals haunting the City. And the Department of Trade and Industry is loath to clutter a busy parliamentary schedule with debates on issues that it would rather see settled in the council chambers of the professional bodies.

Bringing about this debate is the European Community's eighth Company Law Directive, which will form the basis of the next UK Companies Act. The directive allows accountancy firms to turn themselves into limited liability companies and to hand up to 49 per cent of their equity to outsiders - proposals the Government has said it plans to introduce.

This does not mean that the accountants will be allowed to sell shares in their businesses to banks, their own clients or even anyone at all. If the profession wishes, it can set its own restrictive rules and have them backed up by statutory instrument - a route the DTI has said it supports.

The law concerning auditors is changed only once in a generation, runs the argument put forward by the Government and many in the profession. It should be drawn widely, rather than tying accountants' hands behind their backs in future.

The Institute of Chartered Accountants in England and Wales appears not to agree. Its council voted recently to ban all outside shareholdings in firms - a message the DTI did not want to hear in the very month its ministers were due to nod through the Eighth Directive proposals.

The institute's position is widely seen as an "anti-Big Eight" vote by reactionary elements of the profession. The large firms have turned themselves into multi-service organisations and find themselves in head-on competition with non-accountants. For them, the financial limitations of the partnership structure are looking increasingly damaging - though none of them admits to having a shortage of capital at the moment.

"If the destiny of the major accounting firms is to be providers of financial services across a very broad range, this debate becomes very important," says Mr Michael Blackburn, managing partner of Touche Ross - though, like other senior accountants, he says Touche has no immediate plans to seek a listing on the Stock Exchange.

'If the destiny of the major accounting firms is to be providers of financial services across a very broad range, this debate becomes very important'

But one of the Big Eight firms themselves - in fact, the biggest - has come out on the side of the institute's council. Peat Marwick McLintock's stance has turned what may have appeared a simple local political difficulty in the institute's council chamber into a real headache for the advocates of outside ownership.

Its opponents argue that auditing is a statutory assignment, requiring total objectivity on the part of auditors. Allowing people outside the firm to own shares will subject the auditors to commercial pressures that could jeopardise this.

Banks and other financial institutions would exert the wrong type of influence over accountants. And allowing audit clients to hold shares would be disastrous. In fact, any outsiders would be a bad thing: they do not understand the ethics of the profession, and in the interests of financial gain would put pressure on firms which would hurt auditing.

There is also an international dimension. Peat Marwick points out that Germany is heading in the opposite direction from that proposed in the UK, and is seeking to get rid of existing outsiders. And with business becoming more international, overseas regulators may not be happy to see the foreign subsidiaries of their domestic corporations audited by limited companies.

"We don't know what the attitude of the SEC will be," says Mr Jim Butler, senior partner of Peat Marwick.

Others disagree. For a start, auditors already operate in a commercial environment. They are allowed to make up to 15 per cent of their fees from the audit of one client (management consultancy, tax advice and other services could add substantially to this). This means that they already have a financial interest in keeping audit clients sweet.

The fact that most auditors have not visibly lost their independence indicates the strength of their moral fibre. The fiction of company law is that shareholders appoint auditors: the reality is that directors are seen by auditors as their real "clients".

Also, anyone who owned part of an accountancy firm would find it in his interests to leave the investment well alone. The accountants' most important commodity is their independence. They are using it - or rather, the perception of it - to sell a range of profitable services. To buy an accountancy firm and then jeopardise it would be madness.

"Clients wouldn't stay with us a day longer if they thought we weren't independent," says Mr John Bullock, senior partner of Deloitte Haskins & Sells.

As a last resort, the proponents of outside shareholding argue that limitations can be put on the influence of shareholders. Their voting powers can be limited, for instance. The independence of auditors can be maintained in much the same way that the Independent Broadcasting Authority maintains the independence of the television stations in its jurisdiction.

The three chartered accountancy bodies have set up a committee to consider the issue. It will go over the arguments and make its recommendations by February - just in time for the draftsmen of the next Companies Bill to include it in their legislation. The Government obviously hopes that the accountants can suppress those among them who want to limit the ownership of firms. But it is far from certain that the accountants - whose leaders agree with the Government - will be able to deliver.

One legal restriction on the structure of firms that the Government is not considering is the question of who should be able to join an accountancy partnership. Some firms believe this to be of more immediate importance than outside ownership. It would also lay the foundation for truly multidisciplinary firms.

At the moment, only qualified auditors may be partners in an auditing firm. The host of others - management consultants, engineers, actuaries, lawyers, architects, even doctors - who have joined the firms in the past few years are pushed into parallel partnerships or companies. This makes management and remuneration difficult.

Multidisciplinary firms are also bogged down in inter-professional politics. Should accountants and lawyers ever be able to join forces, for instance, both the accountancy and legal professions would want to decide the ethical rules for the merged beast. Not that large accounting firms see themselves in partnership with the leading City law firms anyway.

"I don't see any sense in merging with the likes of Clifford Chance. But there could be sense in mergers for smaller firms," says Mr Butler.

It is small firms in both professions who could lose out in the squabbling. While the High Street financial services are being reshaped by banks, building societies, insurance companies and estate agents, the lawyers and accountants are still compartmentalised in their own disciplines.

The lawyers have already lost their conveyancing monopoly. The accountants may well lose some of theirs - audit work - if pressure to excuse small companies from this legal necessity bears fruit.

The two groups, finding themselves with no protected ground, could benefit from alliances in the future.

Richard Waters

Takeovers

A lottery for the audit firm

IF THE takeover activity of the past two years dies off in the wake of the recent upheaval on world stock markets, some auditors will breathe a large sigh of relief.

True, accountancy firms have done well out of all the takeovers. They provide much of the backroom expertise that goes into preparing a bid or defence. And once an acquisition is completed, they are invariably called in to carry out an investigation for the new owner.

But a change of ownership often means a change of auditor as well. Most large accountancy firms rely on audit for at least half of their fees, and so feel uneasy about the rapidity with which a long-standing audit relationship can end when a client is taken over. Audit clients are the bedrock of an accountancy practice. Auditing, the only monopoly that accountants have, is a valuable asset: it gives firms an insight into the guts of a company's operations, a continuing relationship from one year to the next and plenty of contact with senior managers.

On this base, firms have built a range of other (more profitable) services, ranging from tax advice to computer consultancy to recruitment. So the threat of losing an audit client is an unpleasant one.

The consolation is that there are gains as well as losses. Peat Marwick McLintock, for instance, has had its fair share of good news as well as bad. The table, which shows recent large takeovers which have resulted in a change of auditor, reveals that Peat has picked up seven large audits, thanks to the acquisitive tendencies of its clients. But it has also lost a handful of assignments.

Smaller firms seldom gain from takeovers. They lose a client which is taken over but do not usually gain when the opposite occurs, says Mr Robert Vincent, a partner of Buzzacott.

The firms which are neither large nor small are hanging on by their finger nails. One of them, Binder Hamlyn, proved this year that its growing clients are happy with the service they are getting. Mountleigh, which took over Stockley and United Real Property Trust in deals worth over £100m, appointed Binder as auditors to both in place of Peat Marwick McLintock. Another growing client, United Newspapers, is equally loyal to its audit firm.

Takeovers do not always result in a change of auditors. Companies like Hanson Trust and GEC are well-known for their policy of using a number of auditors for their operating companies. But most finance directors prefer to use only one firm: it avoids duplication of effort and saves money.

While takeovers remain a lottery for audit firms, open competition for some audits gives them a chance to fight on a level playing field. Firms have spent large amounts of money training their staff to make presentations to potential clients and putting together proposal documents.

This new slick approach is little use, though, if a firm does not get to pitch for an audit in the first place - which is why the past reliance on word of mouth and personal contact is about to give way to a marketing push supported by large advertising budgets.

The first firm to put a heavy advertising effort behind its audit operations is Coopers & Lybrand. In a campaign launched this week, it plans to spend £1m convincing finance directors that they should consider Coopers if they are thinking of changing their auditor.

Coopers faces a tougher job than some of its competitors: its reputation as a firm with a strong management consultancy practice has put its audit work in the shade.

Other large firms are watching with interest. Peat Marwick McLintock, the largest auditor in the country (it makes nearly twice as much out of auditing as nearest rival, Price Waterhouse), says it has briefed two advertising agencies, Saatchi & Saatchi and CDP, on the possibility of a campaign to support its audit service. Price Waterhouse has already fired off a pre-emptive salvo of advertisements about auditing.

This should all be good news for clients. Auditors have been aware for some time that they are operating in a mature market: they need to offer something better, and possibly cheaper, to keep and win work.

The extra value will come from making auditing less of an unpleasant necessity which gives rise to nothing more than a terse audit report and a series of suggested improvements to managers hedged round with disclaimers. In its place, auditors plan to give more positive assurances about the security and effectiveness of a company's systems, and more help when things are wrong.

Their failure to do this before has meant that they have consistently lagged behind the expectations of their clients and the general public - a failing they claim to have put right.

There have also been efficiencies in audit firms. According to Mr Don Hanson, managing partner of Arthur Andersen, productivity in his firm's audit department has improved by 5 per cent in each of the past seven years. Using computers and getting the most out of their expensive staff's time have helped other firms to turn in similar gains.

Such advances have kept auditors profitable, despite the rising costs of hiring staff and the unwillingness of clients to see their audit fees rise faster than the retail prices index.

Richard Waters

Big audit changes

Audits that have changed hands in £100m-plus takeovers

Audit gains	Acquiring company	Former auditor
Binder Hamlyn		
Stockley	Mountleigh	Peat Marwick
United Real Property Trust	Mountleigh	Peat Marwick
Extel	United Newspapers	Deloitte Haskins & Sells
Ernst & Whinney		
Home Charm	Ladbroke	Stoy Hayward
Deloitte Haskins & Sells		
HAT Group	BET	Ernst & Whinney
Spicer & Pegler		
Coats Patons	Vantona Viyella	Deloitte Haskins & Sells
Pannell Kerr Forster		
Crown Paints	Williams Holdings	Price Waterhouse
Moores & Rowland		
Pegler Hattersley	F H Tomkins	Peat Marwick
Peat Marwick McLintock*		
Stock Conversion	P&O	Deloitte Haskins & Sells
European Ferries	P&O	Grant Thornton
Royal Ordnance	British Aerospace	Coopers & Lybrand
McCorquodale	Norton Opax	Moores & Rowland
SGB	John Mowlem	Pannell Kerr Forster
H Samuel	Ratners	Kidsons
Oil and gas operations of ICI	Enterprise Oil	Peat/Price Waterhouse
Price Waterhouse		
Distillers	Guinness	Arthur Young
Octopus	Reed International	Coopers & Lybrand
Wedgwood†	Waterford	Deloitte Haskins & Sells
Times Furnishings	Harris Queensway	Hacker Young
Hargreaves	Coalite	Peat Marwick
Arthur Andersen		
British Home Stores	Habitat/Mothercare	Peat Marwick

* Includes audits of both Peat Marwick and KMG Thomson McLintock

† PW has replaced Deloitte as joint auditor with Peat Marwick

Top UK accounting firms by fee income

		Fees 1986 £m	% Growth 1985-86	No. of Offices	No. of Partners	Other Chargeable Staff	Total Chargeable Staff	Admin. Staff	Total Staff	Year End
1	Peat Marwick McLintock	207.2	26.1	46	419	5840	6259	1508	7767	31/3/87
2	Coopers & Lybrand	143.0	19.8	37	310	3266	3576	1213	4789	31/3/87
3	Price Waterhouse	139.6	28.2	19	282	3043	3325	1101	4426	31/3/87
4	Deloitte Haskins & Sells	121.1	22.0	24	244	2916	3160	905	4065	30/4/87
5	Ernst & Whinney	100.7	21.5	24	214	2644	2858	695	3553	31/3/87
6	Touche Ross	93.6	22.4	23	221	2287	2508	649	3157	30/4/87
7	Arthur Andersen	91.3	36.1	15	132	1854	1986	573	2559	31/3/87
8	Arthur Young	90.0	20.0	21	202	2256	2458	775	3233	1/5/87
9	Grant Thornton	67.0	15.5	56	267	2151	2418	NA	NA	31/3/87
10	Binder Hamlyn	61.8*	10.6	36	235	1830	2065	NA	NA	30/4/87
11	Spicer and Pegler	54.0†	23.0	30	168	1570	1738	608	2346	30/4/87
12	Pannell Kerr Forster	38.0	21.8	34	172	1308	1480	287	1767	30/4/87
13	Clark Whitehill	29.4	18.1	60	183	1212	1395	265	1660	31/3/87
14	Stoy Hayward	27.6	30.2	9	92	902	994	272	1266	31/12/86
15	Neville Russell	21.6	14.9	21	74	571	645	225	870	30/4/87
16	Robson Rhodes	20.6	17.7	14	76	523	599	NA	NA	30/4/87
17	Moores & Rowland	20.3‡	30.9	17	78	498	576	191	767	30/4/87
18	Moore Stephens	19.4	10.9	40	111	585	696	231	927	30/4/87
19	Hodgson Impey	18.0	9.1	23	90	624	714	226	940	30/4/87
20	Kidsons	16.8	13.5	26	83	461	544	132	676	30/4/87

*Estimate. †Excludes Channel Islands. ‡Excludes UK associated firms.

Source: The Accountant.

Personal finance

Advice crosses boundaries

THE Financial Services Act is forcing accountancy firms to rethink their role within the personal financial sector. No longer is their service merely an adjunct to personal tax compliance work, but it is viewed as a market area in its own right.

An eloquent illustration of the huge potential market for accounts is provided by the rising numbers of individual share-owners and wealthy individuals. The total number of millionaires in the UK is estimated by Touche Ross to be over 20,000, and there are believed to be more than 100,000 semi-millionaires.

A strict definition of each firm's activities in this sphere is not possible, since advice invariably crosses traditional departmental boundaries. An entrepreneurial family company going for a USM listing will require help on aspects of corporate and personal finance, as well as possibly needing management consultancy services. From the definition of investment advice given in the Financial Services Act, it becomes clear that, in effect, all accountancy firms must be authorised to be investment advisers.

The approach taken by the firms varies widely. For the Big Eight, personal financial planning is still largely seen as an extension of the personal tax function, and it is therefore not generally recognised as a separate departmental discipline requiring a distinctly separate team of advisers. However, an indication of the commitment to this area by the Big Eight is the numbers of staff involved. Though it may be a small proportion of the total firm, 30 chargeable staff and four partners who devote more than 80 per cent of their time to personal financial planning can represent a significant amount in fee income terms.

One criticism frequently levied at the Big Eight firms in this area is the huge potential conflict of interest because of audit clients. But most have a stringent policy of not allowing staff to invest in audit clients' shares or securities, and when recommending groups of unit trust managers will make full disclosure to the client of any such interests to minimise the potential problems.

Meanwhile, the second tier firms are making a strong play for the lion's share of the market. These firms identified at an early stage the need to have a separate department to handle investment advice and have taken those early efforts further by establishing separately incorporated financial services companies which have either already received or are currently awaiting FIMBRA approval. Within the Big Eight, only two firms have gone down this route to date.

Broadly, the firms charge fees for time spent in the normal way, but if a client accepts a recommendation on a specific product, any commission the accountancy firm may receive on that product would be rebated against the fees for work in progress.

Anomalies do exist, however. Clay Clark Whitehill, the 50:50 associates of Clark Whitehill and actuaries Clay and Partners, retains 15 per cent of any commission received, while Hodgson Impey's life and pensions broking company retains 50 per cent of commissions. The remainder returns to the main partnership.

As in all markets, the investment advisory field has its share of niche players. Their contribution to the total markets may be negligible, but they are acknowledged specialists. Hays Allan has had a wholly-owned advisory brokerage company since 1961 with most of the work coming from referrals from other firms of accountants and solicitors.

Smith & Williamson, meanwhile, can claim a heritage of over 100 years and a highly segregated yet co-ordinated approach to the market. Each area of advice, be it portfolio management, banking or more general advice, is covered by a separate incorporated company and registered with the relevant SRO. Despite the complexity of requiring authorisation from a number of different regulatory bodies, the firm is "prepared to cope" with the authorisation procedure to maintain its position.

An alternative to individual specialisation which is gaining wider acceptance and favour is that of establishing links with insurance brokers. Earlier this year Ernst & Whinney acquired Shepherd Associates which has since become the firm's life and pensions arm. Kidsons linked up with Altrincham-based consultants Scott Lang, while Brooking Knowles and Lawrence has entered into a joint venture with two local Hampshire insurance brokers. Insurance market commentators expect this trend to continue.

In some instances the firms have set up separate companies merely as a precautionary measure, since the final definition of investment advice under the Act has still to be determined. It is understood that some firms will drop those companies if registration under the recognised professional body (RPB) route proves sufficiently all-encompassing to cover their role as investment advisers.

The institutes have already established the costs of registration under the RPB route. For the full practitioner operating out of one office and registering for authorisation under category (1) the annual cost would be £180 plus a £10 contribution to the compensation fund being set up to cover potential claims. That figure rises to £20,000 a year for firms with more than 100 partners and 40 offices, plus a £10 per partner levy for the compensation fund. Compared with the cost of registering direct with the SIB or with one of the SROs, these figures are considered reasonable by most in the profession. A sole practitioner registering with FIMBRA would face a £500 pa bill.

The institutes will require some £2.5m a year to cover administration and monitoring costs, including the cost of staffing. Mr Richard Wilkes, the Price Waterhouse partner who has been closely involved with the profession's search for RPB status, says: "We have no desire to be seen to be bullying firms," but the institutes will have a panoply of disciplinary measures at their disposal to ensure firms remain within the bounds of their authorisation.

Though compliance with the Act may be cumbersome, the profession as a whole is agreed that investment advice remains an integral part of the services offered. As Mr Edmond Wood of Binder Hamlyn points out, in the early days of a private company's growth, the accountant fulfils the role of finance director in addition to his compliance work, and therefore investment advice and financial planning become a service which is inextricably linked to the audit function.

Christina Benischke

Money Management

Management consultancy

It adds up to one-stop shopping

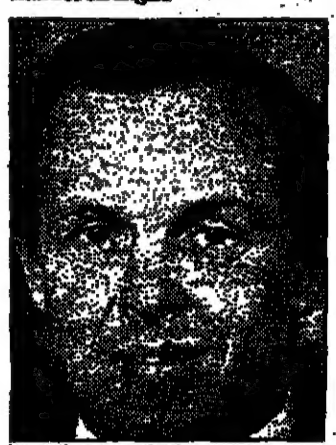
THE POSITION of two firms provides a clear picture of where accountants have grown to in the management consultancy market - and where they are likely to go in future.

Arthur Andersen and Coopers & Lybrand have set the pace by following two opposite approaches - the former by specialising in information technology-related work, the latter by diversifying into a wide range of consultancy services. They may not be as far apart in their thinking in the future.

Coopers & Lybrand, which has gained a reputation for its ability to spot market openings and develop services to match, has shifted its ground. Expansion into new areas of consultancy is giving way to a focus on one market above all others - information technology.

Arthur Andersen has been interested in information technology since the market first emerged. Its entry into the IT market, masterminded by Mr Victor Millar, who has recently become head of operations at Saatchi & Saatchi, was carefully planned and executed. Andersen became the largest consulting firm in the world on the back of this single discipline.

Andersen is still interested in IT. But it is not happy to be branded as a systems house, and is trying to broaden its range of services around its perceived market strength.



Mr Brandon Gough of Coopers and Lybrand

The IT market is growing too fast for most consulting firms to keep up. Staff shortages are the only limitations to growth.

Not only the large firms are benefiting. Buzzacott, an accountancy firm with fees of £4m a year, reports that advice on IT is one of its fastest-growing services. Like other small firms, it limits itself to advising on micros and taking commissions on software it sells to clients - a healthy business that looks set to grow as clients start to link their computers in networks.

Coopers' interest in IT, though not to the exclusion of all else, is something of a turnaround. There are lessons in it for other accountancy firms seeking to build consulting arms along the Coopers model.

"We have taken some chances in the number of initiatives we have taken," says Mr Brandon Gough, Coopers' chairman. "There is always a danger of managerial overload." The experience has made Mr Gough, the accounting profession's arch innovator, a more cautious man.

The firm has now refocused its attention on IT consultancy. It has 200 specialists in this business in the UK, accounting for a third of its management consultancy - a proportion that looks set to grow.

"We watch with interest Andersen's success. They have done a very good job. There is room for others in the market," says Mr Gough.

Coopers is now developing an international methodology to support its consulting assignments around the world, echoing Andersen's single-minded approach. But it does not plan to develop its people as Andersen has done. All Andersen consultants go through the same training process. National characteristics of clients and markets make it more worthwhile to retain the national character of a consulting firm, says Mr Gough.

By doing this, though, Coopers is passing up one of the advantages of the Andersen way: the ability to use consultants on assignments around the world. The virtual interchangeability of Andersen consultants means that at any one time there are around 70 foreign consultants working on assignment in London.

Coopers' redirection inevitably raises questions about the the future for other elements of its consulting practice.

"We will be prepared to underplay some other areas," says Mr Gough. Managerial and financial pressures could leave these parts of the practice out in the cold - though Mr Gough stresses that he is not pulling the plug on any operations and continues to see a broadly-based consulting firm as one of Coopers' main strengths.

While Coopers sorts out its future direction, Andersen goes from strength to strength in its chosen market. Its IT fees in the year to August rose substantially, fuelled by huge assignments in the City.

"People don't go to their auditors for it. They go to the best firm," says Mr Don Hanson, Andersen's UK managing partner. "In more and more of our work we are competing with the non-accountants."

But Andersen is going through its own changes. It has long focused on systems design and installation. To this bread-and-butter systems work it is trying systems work, it is trying to add strategy at one end and computer operations at the other. The result of this will be services which include the planning, design, building and running of computer systems.

"We're going vertical. We see it as necessary to offer a range of services. It's where the one-stop shop really does come in," says Mr Hanson.

Andersen has opened its first computer centre, to run clients' entire computer operations for them. It thinks that companies would rather pass on all the headaches of computing to an outside organisation.

This refocusing of consulting firms is part of the process of digesting huge growth in the past few years. Coopers' 27 per cent growth last year shrinks into insignificance beside the 50-plus expansion of competitors like Andersen, Touche Ross and Spicer & Pegler.

Such expansion is causing management stresses in all firms, not just Coopers. The accountants at the top are now keen to slow down the pace, to make sure they can keep control of what is going on around them. Bringing in consultants means bringing new disciplines into the firm. And outsiders challenge the culture of the firms they join.

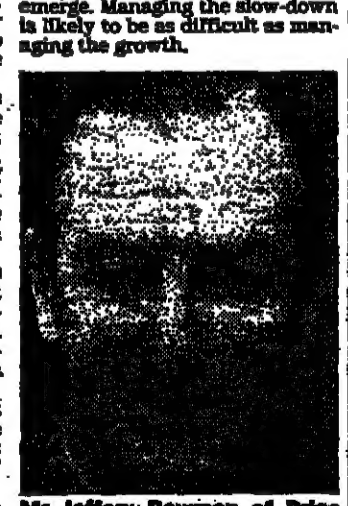
The management stresses have seldom come out into the open. In a rare case, a group of consultants defected from Armitage & Norton last year. Inadequate management control was blamed, leading to the departure of those responsible. Armitage subsequently fragmented completely.

The Armitage experience provides lessons for smaller firms seeking to expand, belatedly, into a market about which they know little.

Large firms are also likely to proceed more cautiously in future. "We're planning for a rate of growth that is below that of last year," says Mr Jeffery Bowman, senior partner of Price Waterhouse. "There is far more diversity, and far more people with different backgrounds."

Price Waterhouse reckons it has succeeded - so far - in turning its consultants into PW people. But it wants more time in the future to make sure the process is working.

It is this slowdown that is likely to expose any weaknesses the consulting firms have developed. Rapid growth masks differences of opinion between managers. Once ambitious outsiders find they have to cool their heels, differences may start to emerge. Managing the slow-down is likely to be as difficult as managing the growth.



Mr Jeffery Bowman of Price Waterhouse

No one doubts that the slowdown will occur - though it is not expected to lead to a contraction of consulting operations. In the meantime, firms are plugging on regardless.

Touche Ross, less than half of Coopers' size in consultancy, does not think that diversification has gone out of fashion. It recently acquired a small tourism consultancy (to add to its warehousing firm) and plans further mergers to take it into new specialisms.

Spicer & Pegler has mapped out a different route for its consultants. They are being spun off into a number of separate companies, each allowed to follow its own lights. Spicer plans to retain a controlling interest in each part.

One such firm, Spicer & Oppenheim Consultants, sets the tone for the future. Focused on financial services (a Spicer strength), it plans to set up its own small international network centred on the major financial centres. It is based on a small team lured from consultants Booz Allen for the purpose.

Turning accounting firms' consultancies into collections of niche specialists like this could be one way for firms to retain their spread of services without losing their sense of direction. Giving them a share of the action and breathing space from the accountancy firm will also keep the consultants happy.

Richard Waters

The future of the smaller firm

Niches remain, but nuggets go to the Big Eight

THE GLOVES are off. Accountancy is no longer a gentleman's profession and it is the smaller man who is losing out.

There are a number of factors involved. Perhaps the most alarming of these is the major firms' growing monopoly of all publicly quoted and most large and medium-sized private company audits.

According to Mr Chris Benbow, senior partner of the medium-sized Finnie and Co and chairman of the Association of Practising Accountants, a pressure group of medium-sized firms, the top firms now have no compunction about discounting 40 or 50 per cent to win important audit work. Indeed, partners in the Big Eight firms confirm this by talking in unguarded moments of the danger of a "price war."

The majors are not only winning out by discounting. Many stockbroking firms and merchant banks will insist that any company raising equity or loan money should use a major accounting firm and increasingly that is coming to mean the top eight (plus Stoy Hayward or Spicer and Pegler).

The second major problem faced by the smaller firms is a shortage of raw materials. Graduate trainees are the profession's supply of low cost labour and the manpower which firms use to fuel their expansion. They are now in very short supply.

Although 10 to 12 per cent of all graduates now enter the profession, firms are now fighting to hit their recruitment targets. Many small firms have completely given up and are making do with less skilled accountancy technicians.

A third pressure has come from the relaxation of almost all restrictions on advertising. Firms can now use direct mail to woo clients and get round the professional institutes' rules on cold calling by going through their management consultancy arms.

Again, it is the larger firms with more time and money to plan marketing initiatives which tend to be the winners. Peat Marwick McLintock, the UK's largest firm, recently went so far as to give away management consultancy time to 50 promising small businesses.

Two further future developments will threaten the very existence of the smaller firm - the abolition of the statutory audit for smaller business and incorporation. Mr John Cope, the Minister for Small Business, is planning to abolish or severely modify the former as part of the Government's plans to reduce red tape. There is every indication that none of the larger firms will stand in the way of such a move. Incorporation, which many expect within five years, would almost certainly lead to the majors buying up their smaller brethren on a wholesale basis.

How threatened the smaller firms are varies greatly and it would be wrong to exaggerate the problem. Many smaller firms offer a more personal service with better access to partners and many make a very good living.

'It is a vicious circle. If you're excluded once or twice from a flotation, then they will argue that you no longer have sufficient experience'

In general, the larger medium-sized firm, those outside the top eight but inside the top 30, are the most vulnerable. Smaller firms with exclusively private company clientele have suffered less, although they are likely to lose their fastest growing and most dynamic clients.

There are also geographical differences. Some Big Eight branches in the provinces will take on what is known as "brown paper bag" work - the audits of firms and corner shops, but the thriving London small business and professional market has been largely ignored by the majors.

One obvious answer to all this is for the smaller firms to form an alliance - a strategy which the National Conference of Certified Public Accountants in Practice, which now has 1,250 member firms, has followed in the US.

Over the past two years three UK groupings have sprung up - the Association of Practising Accountants, an alliance of 13 firms in the lower half of the top 60, CharterGroup, with just over 40 slightly smaller firms as members and the UK 200 Group with 130 small to medium firms. The latter two are organised associations with full-time staff while the APA is more of a discussion group.

All, however, share common aims. They are trying to combat the City bias towards the larger firm. "It is a vicious circle. If you're excluded once or twice from a flotation, then they will argue that you no longer have sufficient experience," says Mr Benbow. "We're talking to the City about the benefits of closer contact that you can get with a medium-sized firm."

The UK 200 Group's solution has been to form alliances with three stockbroking firms - Hitchens Harrison, Earnshaw Haes and Sons and Williams de Broe and with venture capital firm Armstrong Associates. It has also just formed regional links with the National Westminster and Barclays. CharterGroup has instituted a policy of rigorous quality control reviews and is using this to market its members' expertise.

But the major firms have built up expertise far beyond the audit field. Firms like Price Waterhouse are tax experts, time and motion specialists and software consultants. Smaller firms, outflanked by all this, can lose out. To combat this, the UK 200 Group has linked up with Richmond Network, an association of 50 small management consultancy firms and with a firm of QCs. "If a client wants consultancy we can now point him towards someone we can trust not to walk off with the business," says Mr David Turnbull, the UK 200 Group's managing secretary.

CharterGroup members are now encouraged to refer work to other member firms with specialist expertise. Forging loose alliances can also give firms major economies of scale. Both the UK 200 Group and CharterGroup offer members professional indemnity and training at advantageous rates.

But can the new embryo alliances staunch the trend? The US experience suggests that results will be very mixed. While the National Conference of Certified Accountants succeeded in getting two small audit firms reinstated, its founder, Mr Eli Mason, admits that 98 per cent of the New York Stock Exchange is audited by the Big Eight. Getting that changed will not be easy.

Long-term salvation may lie in niche markets such as advising the high network individual on tax or in acting as financial intermediaries. Many medium-sized firms such as Saffrey Champness are now setting up insurance subsidiaries to service their impressive private client lists. And there will always be a place for the small firm whose partners understand the accounting needs of small business in a way that no large firm can ever hope to do.

Max Hotopf
Accountancy Age

Which FT Diary will you choose for 1988?

The Financial Times Centenary Year

With over 100 pages of meticulously researched information – presented in a choice of 4 superb finishes – the Financial Times Diary must be your choice for 1988.

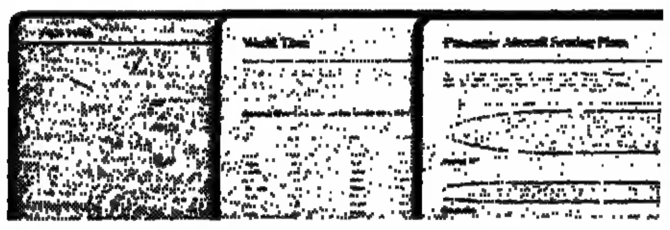
An indispensable business tool.

Apart from making day-to-day planning simpler and more efficient, the Financial Times Desk Diary is indispensable as a permanently ready reference source. In fact, it's like having an international business data base on hand whenever you need it.

As you would expect from a highly respected newspaper like the Financial Times, information has been meticulously researched with everything easy to find and clearly laid out.

Whether you need key statistical data, business vocabulary in three languages or to know which airlines fly to a particular city, the diary will tell you. It can help you plan your trip to the smallest detail with useful information such as examples of daily living expenses and local holidays in over 75 countries.

The contents that make it more than a diary.



FT Indices Graphs
Graphs showing the FT Ordinary Share Index. FT-Actuaries All-Share Index and the British Government All-Stocks Index.

Country Surveys
Factual information on 80 countries saves you tedious searches elsewhere and increases your effectiveness. Details include visa requirements, currency regulations, customs allowances, business hours, approximate daily living expenses and useful addresses.

City Centre Maps
Fifteen easy-to-read maps of the business districts of the world's financial centres.

Planning and Information
Four page monthly expenses record. Two-page staff holidays chart. Weekly columned analysis chart for scheduling and planning over one year. Three pages of weights and measures, international clothing sizes and metric conversions. Four-page 1989 engagement section. A two-page 1988 year planner. Calendars for 1987, 1988, 1989 and 1990. Two-page planner for main meetings. Double Century Calendar running from 1901 to the year 2110. Graph charts and logarithmic scale.

International Travel Section
Twenty-six pages of helpful information covering airports, transport, car hire, world hotels, world time, passenger aircraft seating plans and major airlines servicing the world. There are also details of month by month climatic conditions in 80 international cities and a vocabulary section translating business terms from and into French and German.

Diary Section
Diary Section runs from 30th November 1987 to 29th January 1989 and shows seven days at a glance, international public holidays, number of days passed and number of days left in the year, together with tax and calendar week numbers, 1988 calendar week numbers, 1988 calendar at the foot of each page.

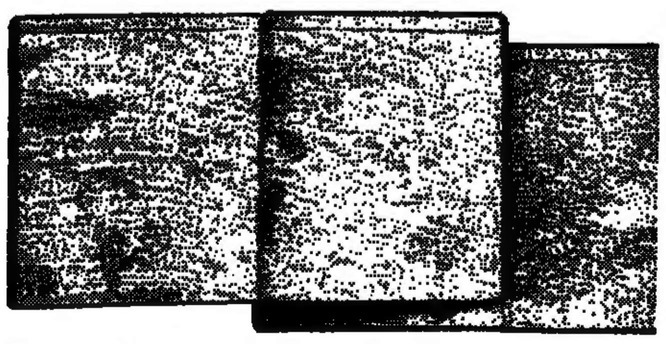
Invaluable every day of the year.
Each page has plenty of room for planning your day and keeping notes. There are also sections that you'll find useful when working out your expenses, monitoring company performance or showing staff holidays.

There's no more efficient way to plan ahead – because there's no more comprehensive diary than the Financial Times Desk Diary.

World Atlas
Updated forty-eight page, full colour World Atlas.

Indexed Address/Telephone Directory
Slotting neatly into the inside back cover is a separate stitched and bound personal thumb-indexed address/telephone directory, finished in matt silver. It includes international dialling codes and space to store personal information.

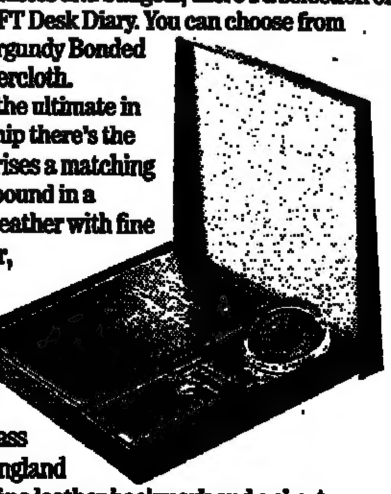
Diary *10¼" x 8½" (265mm x 216mm)*



The Diary of the Year – in the binding of your choice

To match individual tastes and budgets, there's a selection of cover bindings for your FT Desk Diary. You can choose from Rich Black Leather, Burgundy Bonded Leather or Black Leathercloth.

For those who want the ultimate in quality and craftsmanship there's the Centenary Set. It comprises a matching desk and pocket diary, bound in a sumptuous rich brown leather with fine gold tooling on the cover, specially produced to commemorate the Centenary of the Financial Times. This superb Set also includes an engraved glass paperweight, made in England by British craftsmen, a fine leather bookmark and a short history of the Financial Times from 1888-1988.



Non-fraying marker ribbon

Heavy gilt on all edges

To: FT Business Information Ltd, 50-64 Broadway, St. James's Park, London SW1H 0DB Tel: 01-799 2002 Telex: 927282 FINTIMG

ORDER FORM

Please send me the following items from the prestigious Financial Times Diary Range: (complete quantity and value columns below).
I understand that if I am not totally satisfied with my purchase(s), I may return it within 28 days for a full no questions asked refund. (Not applicable on gold blocked items).

SPECIAL OFFER
When you use this Order Form to purchase under 25 items we will gold block your initials FREE!

Name (Mr/Mrs/Miss/Ms) (PLEASE PRINT) ______
Company ______
Position ______
Address ______

Post Code ______ Telephone: ______ Signed: ______

	FOR OFFICE USE ONLY			TYPE OF DIARY	UNITED KINGDOM QUANTITY	UNITED KINGDOM Price (inc. p&p) £ p	OVERSEAS QUANTITY	OVERSEAS Price (inc. p&p) £ p	VALUE £ p
	CS	07171	0506	Centenary Set (Desk and Pocket Diary), brown leather		90.00		99.50	
	DL	07006	0451	Desk Diary, black leather		47.60		55.25	
N	DB	07018	0475	Desk Diary, burgundy bonded leather		31.15		38.80	
E ▶	DP	07286	2320	FT Pink Desk Diary, black bonded leather, page-a-day		21.70		29.35	
W	DC	07020	0499	Desk Diary, black leathercloth		17.38		24.98	
	PL	07031	0457	Pocket Diary, black leather		9.55		10.50	
	PP	07274	2141	FT Pink Pocket Diary, black cover, pink pages		9.20		10.15	
	PB	07043	0481	Pocket Diary, burgundy bonded leather		9.05		10.00	
	PC	07262	0561	Pocket Diary black leathercloth		8.45		9.50	
N ▶	WP	07316	2335	Black leather Wallet, new design, fits Pink Pocket Diary		19.45		20.40	
E ▶	WL	07298	2325	Black leather Wallet, new design, fits PL and PC		17.95		18.90	
W ▶	WB	07304	2330	Burgundy leather Wallet, new deign, fits PB		17.95		18.90	
		07092	0883	GOLD BLOCKING (optional extra): Initials and Surname per product		3.00		3.00	
		07109	0883	GOLD BLOCKING (optional extra): Initials only per product		1.50		1.50	

Please Note: The Centenary Set consists of two items therefore blocking charge is double.

Sub Total (excl. of VAT)	
ADD 15% VAT Unless you are outside Great Britain and Northern Ireland.	
TOTAL AMOUNT	

How to pay

Most important: Payment must accompany order, *except on orders over £150.00 (excluding VAT) from U.K. registered Companies, which will be invoiced.* Payment should be drawn only on a Sterling/US Dollar account made payable to 'FT Business Information Ltd'. Details of our Bank: Midland Bank PLC, 5 Threadneedle Street, London EC2R 8BD. Account No. 50957615. Sorting Code 40-07-02.

Now you can order your diaries by phone using a credit/charge card. Just ring DIARYLINE 01-626 1975.

Tick method of payment. If the billing address differs from the above, please notify us.

Cheque ☐ Money Order ☐ ☐ ☐ ☐ ☐

Card Number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Expiry Date: ______

Cardholder's signature ______ Cardholder's name (in block capitals) ______

Bulk discounts of up to 25% are available. Please telephone (01) 799-2005 for details.

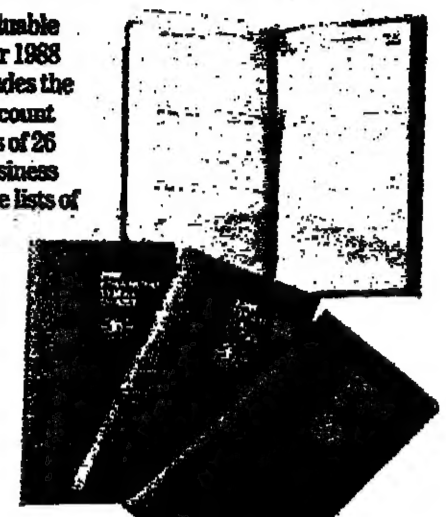
Other Gifts from the Financial Times

FT Factmaster – A specially developed portable personal organisation/time management system.
☐ Please tick for brochure

The City Collection – a range of luxury leather goods for business and for travel.
☐ Please tick for brochure

The Financial Times Diary is also available at Ryman and other selected stores.

The FT Pocket Diary



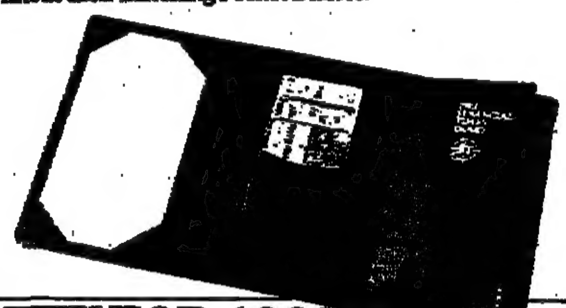
An instant and invaluable source of reference, our 1988 Pocket Diary now includes the UK Stock Exchange Account Days, as well as profiles of 26 major international business centres, comprehensive lists of hotels, restaurants, theatres, conference centres and airport details for London and the UK.

Available in a choice of 3 bindings to match the Desk Diary, the standard pocket diary has each week spread over 2 pages.

The New FT Wallet

This elegant newly designed 3-fold Wallet is superbly crafted in black or burgundy leather with a moiré silk lining and gilt corners.

Available to fit a standard FT Pocket Diary, or in a slightly larger form for the FT Pink Pocket Diary, it contains plenty of room for banknotes and credit cards as well as a handy aide-memoire notepad. Each wallet can now be purchased with or without their matching Pocket Diaries.



NEW FOR 1988

The Financial Times Pink Desk Diary and Pocket Diary

FT Pink Desk Diary 7¼" × 9" (185mm × 235mm)

After the huge success of the FT Pink Pocket Diary which we introduced last year, we are pleased to announce its perfect complement – the FT Pink Desk Diary.

The new Pink Desk Diary is unique. Its more compact size means it is equally at home on your desk or in your brief case.

And you will find its innovative page-a-day format provides ample space for notes and business expenses.

Although more compact than the standard FT Desk Diary, this new pink version still contains much of the invaluable information to be found in its larger counterpart.

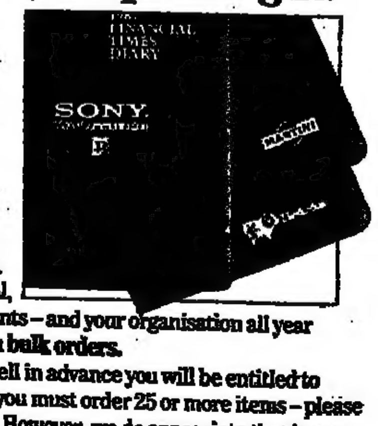
FT Pink Pocket Diary 6¾" × 3½" (172mm × 90mm)

The ideal personalised present...

Receiving a diary with your name on it always makes the right impression – and it costs very little extra. You can choose to have initials, or name and initials on the cover in high quality, long-lasting gold blocking.

It's this kind of personal touch that makes the Financial Times Diary an even more acceptable gift.

... and the perfect corporate gift.



Your own special edition of the Financial Times Diary will ensure that your clients have the opportunity to think of your company – every working day of the year. Because apart from having your name or logo gold blocked on the cover, we can also include a special eight-page section to promote your company. Which makes the Diary a practical, welcome gift benefitting your clients – and your organisation all year round. **Discounts of up to 25% on bulk orders.**

By placing your bulk order well in advance you will be entitled to discounts of up to 25%. To qualify you must order 25 or more items – please telephone 01-799 2005 for details. However, we do appreciate that it may be difficult for you to complete your final gift list so early in the year.

That's why we offer to reserve copies for you without obligation or commitment. It's the certain way to guarantee you have the diaries you need, yet it costs you nothing. Contact us now for more information.

FINANCIAL TIMES Diaries

Diary Department, FT Business Information Ltd, 50-64 Broadway, St. James's Park, London SW1H 0DB
Tel: 01-799 2002 Telex: 927282 FINTIMG Reg No. 980896 (Reg in England)